

FINANCIAL STATEMENTS

CITY OF HOUGHTON, MICHIGAN

June 30, 2010

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417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 7, 2010

City Council
City of Houghton
Houghton, MI 49931

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separate component unit, the Houghton Housing Commission, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the CITY OF HOUGHTON, MICHIGAN'S primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the CITY OF HOUGHTON, MICHIGAN, as of June 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2010 on our consideration of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 57 through 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF HOUGHTON, MICHIGAN'S basic financial statements. The introductory section, individual fund financial statements, statistical tables, and the accompanying schedule of expenditures of federal and selected state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and the schedule of expenditures of federal and selected state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Joseph M Daavetila, PC

Certified Public Accountant

CITY OF HOUGHTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2010
(Unaudited)

Our discussion and analysis of the City of Houghton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2010. Please read this report in conjunction with the City's financial statements which begin on Page 14.

USING THIS ANNUAL REPORT

This Annual Report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14-15) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on Page 16. For governmental activities these statements tell how these activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's individual funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on Page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

1. Governmental Activities - Most of the City's basic services are reported here including police, fire, general administration, streets, parks and neighborhoods. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities.
2. Business-type Activities - The City charges a fee to customers to help cover all or most of the cost of certain services provided. The City's water, sewer, transit and parking systems are reported here.
3. Component Units - The City includes three separate legal entities in its report - The Downtown Development Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on Page 11. The Fund Financial Statements begin on Page 16 and provide detailed information about the most significant funds, not the City as a whole. Some Funds are required to be established by state law and by bond covenants; however, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds, government and proprietary, use different accounting approaches:

1. Governmental Funds - Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at the end of the year which are available for spending. These funds are reported using the accounting method called modified accrual accounting which measures cash and other financial assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.
2. Proprietary Funds - When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS TRUSTEE

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Assets and Changes in Net Assets on Pages 24 and 25. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For the year ending June 30, 2010 the net assets changed as follows:

Table 1
City of Houghton's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 2,076,079	\$ 2,204,904	\$ 2,340,249	\$ 4,484,367
Capital assets	<u>10,409,709</u>	<u>10,553,317</u>	<u>12,766,086</u>	<u>10,962,180</u>
Total assets	<u>\$12,485,788</u>	<u>\$12,758,221</u>	<u>\$15,106,335</u>	<u>\$15,446,547</u>
Long-term liabilities	\$ 2,942,806	\$ 2,971,585	\$ 7,771,000	\$ 7,940,000
Other liabilities	<u>489,107</u>	<u>588,818</u>	<u>358,610</u>	<u>356,560</u>
Total liabilities	<u>\$ 3,431,913</u>	<u>\$ 3,560,403</u>	<u>\$ 8,129,610</u>	<u>\$ 8,296,560</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 7,533,060	\$ 7,435,717	\$ 5,729,086	\$ 6,003,180
Restricted	-	-	463,278	394,432
Unrestricted	<u>1,520,815</u>	<u>1,762,101</u>	<u>784,361</u>	<u>752,375</u>
Total net assets	<u>\$ 9,053,875</u>	<u>\$ 9,197,818</u>	<u>\$ 6,976,725</u>	<u>\$ 7,149,987</u>

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues and Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from a particular program reported to the right. The result is a net (expense) revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much each function draws from the general revenues, or if it is self-financing, through fees and grants.

Total Primary Government	
2010	2009
\$ 4,416,328	\$ 6,689,271
<u>23,175,795</u>	<u>21,515,497</u>
<u>\$27,592,123</u>	<u>\$28,204,768</u>
\$10,713,806	\$10,911,585
<u>847,717</u>	<u>945,378</u>
<u>\$11,561,523</u>	<u>\$11,856,963</u>
\$13,262,146	\$13,438,897
463,278	394,432
<u>2,305,176</u>	<u>2,514,476</u>
<u>\$16,030,600</u>	<u>\$16,347,805</u>

Table 2

City of Houghton's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Program revenues:				
Charges for services	\$ 751,587	\$ 752,065	\$3,078,197	\$2,960,896
Operating grants and contributions	1,589,515	1,969,269	250,481	253,778
Capital grants and contributions	774,840	1,472,704	9,664	8,773
General revenues:				
Property taxes	1,523,022	1,364,378	-	-
Investment earnings	22,760	43,068	23,737	62,468
Gain (loss) on sale of assets	61,750	41,660	-	3,176
Miscellaneous	43,224	43,526	-	-
Total revenues	<u>\$4,766,698</u>	<u>\$5,686,670</u>	<u>\$3,362,079</u>	<u>\$3,289,091</u>
Expenses:				
General government	\$ 987,819	\$ 866,775	\$ -	\$ -
Public safety	974,078	855,032	-	-
Public works	2,324,053	3,412,219	-	-
Community development	65,490	44,138	-	-
Recreation and parks	377,591	403,185	-	-
Interest on long-term debt	127,250	133,345	-	-
Water	-	-	1,060,030	1,014,942
Sewer	-	-	1,839,014	1,794,517
Parking	-	-	227,501	268,324
Transit	-	-	518,796	543,952
Total expenses	<u>\$4,856,281</u>	<u>\$5,714,694</u>	<u>\$3,645,341</u>	<u>\$3,621,735</u>
Increase (decrease) in net assets before transfers	(\$ 89,583)	(\$ 28,024)	(\$ 283,262)	(\$ 332,644)
Transfers	(54,360)	28,905	110,000	131,000
Increase in net assets	(\$ 143,943)	\$ 881	(\$ 173,262)	(\$ 201,644)
Net asset, beginning of year	<u>9,197,818</u>	<u>9,196,937</u>	<u>7,149,987</u>	<u>7,351,631</u>
Net assets, end of year	<u><u>\$9,053,875</u></u>	<u><u>\$9,197,818</u></u>	<u><u>\$6,976,725</u></u>	<u><u>\$7,149,987</u></u>

Total Primary

Government

<u>2010</u>	<u>2009</u>
\$ 3,829,784	\$ 3,712,961
1,839,996	2,223,047
784,504	1,481,477
1,523,022	1,364,378
46,497	105,536
61,750	44,836
43,224	43,526
<u>\$ 8,128,777</u>	<u>\$ 8,975,761</u>
\$ 987,819	\$ 866,775
974,078	855,032
2,324,053	3,412,219
65,490	44,138
377,591	403,185
127,250	133,345
1,060,030	1,014,942
1,839,014	1,794,517
227,501	268,324
<u>518,796</u>	<u>543,952</u>
<u>\$ 8,501,622</u>	<u>\$ 9,336,429</u>
(\$ 372,845)	(\$ 360,668)
<u>55,640</u>	<u>159,905</u>
(\$ 317,205)	(\$ 200,763)
<u>16,347,805</u>	<u>16,548,568</u>
<u>\$16,030,600</u>	<u>\$16,347,805</u>

Overview of Governmental Activities (General Fund, Major Street, Local Street, Revolving Fund and Public Improvement Fund)

This year the General Fund had a decrease in fund balance of \$157,539 which is largely due to a significant decrease in state shared revenues.

Major Street revenue was down again this year due to the reduction in state trunkline maintenance and snow grant dollars. The Local Street was about the same, but expenditures were less due to the easy winter. Both the Major Street and Local Street did not do any resurfacing for 2009-2010.

The Revolving Loan Fund took in more money in loan payments compared to what we loaned out causing an increase in fund equity.

The Public Improvement Fund funded numerous projects in the downtown including the purchase of the Carnegie Museum building and the completion of the MEDC grant project for the Powerhouse. The fund equity is very low in this fund as it only tracks revenue and expenditures for various public improvement projects within the City.

Business-Type Activities (Water, Sewer, Parking and Transit)

The Transit Fund had a reduction in fund balance caused by reductions in state and federal grant assistance plus a slight increase in expenses.

The Parking Fund did have a loss in fund equity due to depreciation, but did have a positive cash flow due to the increased revenue in parking permits and income from the Lakeshore Center to purchase parking space.

The Sewer Fund did have a slight decrease in fund equity due to the increase in the new operation interest expense for the new bond payment which was used to finance replacement of the old sewer mains downtown.

The Water Fund did have an increase in revenue of about \$70,624, but also had an increase in expenses of \$14,248 resulting in a reduction in fund equity.

CITY FUNDS

General Fund

The only difference in the revenue from last year was the increase in property tax revenue and a large decrease in state shared revenue and interest earned. Police, public works, and building maintenance were up from last year more than expected. Salaries in the police department were up 16% and the fire department had an increase of \$35,390 due to the new fire truck payment. Street lighting repair, maintenance, and utility cost was up and building maintenance was up due to unexpected repairs.

Major Street Fund

Revenue in all categories was down in 2009-2010. Winter maintenance was significantly lower due to the easy winter. We did not do any street paving in the Major Street Fund this year.

Local Street Fund

The Local Street revenue was similar to last year, but this year Local Street received \$30,000 from the Equipment Fund to help meet expenses. As with the Major Street Fund the expenditures were less due to the decreased winter maintenance. Like the Major Street Fund, there was no street paving done on the local streets for 2009-2010.

Revolving Loan Fund

The Revolving Loan Fund had an increase in fund balance as we took in more money in loan payments than we gave out in loans.

Public Improvement Fund

For 2009-2010 the City did most of the work for the Vibrant Small Cities Initiative for which the City received a \$1,000,000 grant to make improvements in the downtown. The project was done within budget and on time. We also finished two MEDC grant projects, one for the Powerhouse and one for the G.S. Engineering road project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Parking Fund

The Parking Fund had a decrease of \$14,607 in net assets which was mainly due to depreciation as the fund did have a positive cash flow. We did have a significant increase in parking permit revenue while expenses were down again in all categories.

Transit Fund

There was a reduction of \$72,540 in fund equity as state and federal revenues were again less than the year before. Administration costs were the same as last year. Operation costs were up slightly from last year and bus maintenance again was less than the previous year.

Water Fund

The Water Fund had a reduction in fund equity of \$35,893. The revenue was up \$70,624 from the previous year. Maintenance of the water supply was the only category that had an increase in expenses from last year.

Sewer Fund

The Sewer Fund showed a slight decrease in fund equity due to depreciation, but did have an increase in cash from last year. The small increase in revenue and expenses was less than last year. The main reason for the decrease in expenses was that we were able to reduce our sewage flow to the Portage Lake Water and Sewer Authority.

Equipment Fund

Retained earnings were reduced by \$82,322 from the previous year. Depreciation expense was up due to the purchase of new equipment and maintenance expense was up slightly. Revenue from other funds was down because of the reduced snow plowing we did last year in both the Major and Local Streets.

Employee Benefit Fund

Net assets for the Employee Benefit Fund were up \$131,660 as revenue was down \$29,470 and expenses were up in all categories except for retirement contributions. The amount of overtime was reduced from previous years which in turn reduced our retirement contributions.

General Fund Budgetary Highlights

Revenue

Revenue for the General Fund had to be adjusted for the grant money that the police department received for special projects. The largest adjustment was for the state shared revenues because we received \$125,873 less than we originally budgeted, and the amount of interest revenue was much less than expected. The amount of rent income from the Portage Lake District Library was reduced due to the fact that the TIFA Fund tax capture was also reduced for 2009-2010. The City owns the building and leases it to the Portage Lake District Library Board. The rent is based upon the amount of library taxes the City TIFA District would normally capture.

Expenses

Building and grounds/city hall budget was exceeded by \$42,000 which was the result of unexpected repairs and maintenance to the building. The Hodge Visitors Center which usually requires very little maintenance needed to have the furnaces replaced this year. Park maintenance was up more than expected because of unexpected repair costs. The Public Improvement Fund needed an extra \$45,000 to cover cost overruns on projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Land	\$ 691,259	\$ 691,259	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	3,156,747	3,076,799	130,839	137,133
Improvements	1,731,076	1,793,761	66,323	58,273
Equipment	1,313,984	1,407,464	407,398	493,735
Infrastructure	3,516,643	3,584,034	8,625,418	8,966,784
Construction in Progress	-	-	2,594,795	364,942
Total	<u>\$10,409,709</u>	<u>\$10,553,317</u>	<u>\$12,766,086</u>	<u>\$10,962,180</u>
DEBT				
General Obligation Bonds	\$ 2,060,000	\$ 2,165,000	\$ -	\$ -
Revenue Bonds	-	-	7,940,000	8,102,000
Installment Purchase Contracts	547,340	616,010	-	-
Limited Tax Investment Note	213,000	234,000	-	-
Economic Development Grant Loan	56,309	79,681	-	-
Total	<u>\$ 2,876,649</u>	<u>\$ 3,094,691</u>	<u>\$ 7,940,000</u>	<u>\$ 8,102,000</u>

Capital assets were down due to depreciation and the fact that we did not do any major capital improvements for 2009-2010. All of the long-term debt accounts were down from last year due to payment on principal on the loans. The City had no new debts for 2009-2010

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and show the City's accountability for money it receives. If you have any questions about this report or need financial information, contact the City Clerk at 616 Shelden Avenue, Houghton, Michigan 49931.

Total Primary
Government

<u>2010</u>	<u>2009</u>
\$ 691,259	\$ 691,259
941,313	941,313
3,287,586	3,213,932
1,797,399	1,852,034
1,721,382	1,901,199
12,142,061	12,550,818
<u>2,594,795</u>	<u>364,942</u>
<u>\$23,175,795</u>	<u>\$21,515,497</u>
\$ 2,060,000	\$ 2,165,000
7,940,000	8,102,000
547,340	616,010
213,000	234,000
<u>56,309</u>	<u>79,681</u>
<u>\$10,816,649</u>	<u>\$11,196,691</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			
	Governmental	Business -		Component
	Activities	Type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
Cash	\$ 906,203	\$ 816,018	\$ 1,722,221	\$ 325,640
Accounts receivable	44,198	278,888	323,086	-
Taxes receivable	93,691	-	93,691	89,198
Bonds receivable	-	903,000	903,000	-
Due from other governmental units	287,987	54,741	342,728	134,541
Internal balances	278,080	(278,080)	-	-
Inventories	5,554	-	5,554	-
Restricted assets	-	565,682	565,682	-
Investments	81,045	-	81,045	-
Long-term loans	379,321	-	379,321	-
Capital assets - net	<u>10,409,709</u>	<u>12,766,086</u>	<u>23,175,795</u>	<u>5,113,279</u>
TOTAL ASSETS	<u>\$ 12,485,788</u>	<u>\$15,106,335</u>	<u>\$27,592,123</u>	<u>\$5,662,658</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 98,659	\$ 10,238	\$ 108,897	\$ 76,250
Accrued expenses	63,302	135,731	199,033	17,347
Due to component unit	76,949	-	76,949	(77,765)
Due to other governmental units	-	43,641	43,641	-
Deferred revenue	57,981	-	57,981	-
Noncurrent liabilities:				
Due within one year	192,216	169,000	361,216	252,497
Due in more than one year	<u>2,942,806</u>	<u>7,771,000</u>	<u>10,713,806</u>	<u>1,521,503</u>
TOTAL LIABILITIES	<u>\$ 3,431,913</u>	<u>\$ 8,129,610</u>	<u>\$11,561,523</u>	<u>\$1,789,832</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 7,533,060	\$ 5,729,086	\$13,262,146	\$4,178,279
Restricted for debt service	-	463,278	463,278	-
Unrestricted	<u>1,520,815</u>	<u>784,361</u>	<u>2,305,176</u>	<u>(305,453)</u>
TOTAL NET ASSETS	<u>\$ 9,053,875</u>	<u>\$ 6,976,725</u>	<u>\$16,030,600</u>	<u>\$3,872,826</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2010

		<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
	<u>Expenses</u>			
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 987,819	\$ 192,919	\$ 706,410	\$ -
Public safety	974,078	10,041	61,119	-
Public works	2,324,053	332,387	821,986	774,840
Community development	65,490	-	-	-
Recreation and parks	377,591	216,240	-	-
Interest on long-term debt	127,250	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$4,856,281</u>	<u>\$ 751,587</u>	<u>\$ 1,589,515</u>	<u>\$ 774,840</u>
Business-type activities:				
Water	\$1,060,030	\$ 995,857	\$ -	\$ -
Sewer	1,839,014	1,800,905	-	-
Parking	227,501	178,013	-	-
Transit	518,796	103,422	250,481	9,664
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$3,645,341</u>	<u>\$3,078,197</u>	<u>\$ 250,481</u>	<u>\$ 9,664</u>
TOTAL PRIMARY GOVERNMENT	<u>\$8,501,622</u>	<u>\$3,829,784</u>	<u>\$ 1,839,996</u>	<u>\$ 784,504</u>
Component Units:				
DDA	\$ 171,214	\$ -	\$ -	\$ -
TIFA	248,504	-	-	-
Brownfield	3,992	-	3,992	-
TOTAL COMPONENT UNITS	<u>\$ 423,710</u>	<u>\$ -</u>	<u>\$ 3,992</u>	<u>\$ -</u>

General revenues:
Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Special item - Gain (loss) on sale of assets
Transfers
Total general revenues, special items and transfers
Change in net assets
Net assets, beginning of year, as adjusted
Net assets, end of year

The accompanying notes to financial statements
are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Units</u>
(\$ 88,490)	\$ -	(\$ 88,490)	
(902,918)	-	(902,918)	
(394,840)	-	(394,840)	
(65,490)	-	(65,490)	
(161,351)	-	(161,351)	
(127,250)	-	(127,250)	
<u>(\$1,740,339)</u>	<u>\$ -</u>	<u>(\$ 1,740,339)</u>	
\$ -	(\$ 64,173)	(\$ 64,173)	
-	(38,109)	(38,109)	
-	(49,488)	(49,488)	
<u>-</u>	<u>(155,229)</u>	<u>(155,229)</u>	
<u>\$ -</u>	<u>(\$ 306,999)</u>	<u>(\$ 306,999)</u>	
<u>(\$1,740,339)</u>	<u>(\$ 306,999)</u>	<u>(\$ 2,047,338)</u>	
\$ -	\$ -	\$ -	(\$ 171,214)
-	-	-	(248,504)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 419,718)</u>
\$1,523,022	\$ -	\$ 1,523,022	\$ 831,277
22,760	23,737	46,497	1,085
43,224	-	43,224	1,891
61,750	-	61,750	-
<u>(54,360)</u>	<u>110,000</u>	<u>55,640</u>	<u>(55,640)</u>
<u>\$1,596,396</u>	<u>\$ 133,737</u>	<u>\$ 1,730,133</u>	<u>\$ 778,613</u>
(\$ 143,943)	(\$ 173,262)	(\$ 468,908)	\$ 358,895
<u>9,197,818</u>	<u>7,149,987</u>	<u>16,347,805</u>	<u>3,513,931</u>
<u><u>\$9,053,875</u></u>	<u><u>\$6,976,725</u></u>	<u><u>\$15,878,897</u></u>	<u><u>\$3,872,826</u></u>

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2010

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 503,590	\$ 89,577	\$ 129,694
Accounts receivable	44,198	-	-
Taxes receivable	93,691	-	-
Inventories	5,554	-	-
Due from other funds	64,076	4,596	-
Due from other governmental units	108,422	49,630	32,742
Due from component units	29,442	-	-
Long-term loan	21,809	-	-
Investments	81,045	-	-
TOTAL ASSETS	<u>\$ 951,827</u>	<u>\$ 143,803</u>	<u>\$ 162,436</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 43,976	\$ 2,251	\$ 1,052
Accrued expenses	38,399	4,217	2,053
Due to other funds	2,084	51,636	121,994
Due to component units	15,383	-	-
Deferred revenue	95,452	-	-
TOTAL LIABILITIES	<u>\$ 195,294</u>	<u>\$ 58,104</u>	<u>\$ 125,099</u>
<u>FUND BALANCES</u>			
Reserved for inventory	\$ 5,554	\$ -	\$ -
Unreserved, reported in:			
General fund	750,979	-	-
Special revenue funds	-	85,699	37,337
Capital project fund	-	-	-
Debt service funds	-	-	-
TOTAL FUND BALANCES	<u>\$ 756,533</u>	<u>\$ 85,699</u>	<u>\$ 37,337</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 951,827</u>	<u>\$ 143,803</u>	<u>\$ 162,436</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 123,595	\$ 6,996	\$ 188	\$ 853,640
-	-	-	44,198
-	-	-	93,691
-	-	-	5,554
61,363	46,878	-	176,913
-	97,193	-	287,987
-	-	-	29,442
357,512	-	-	379,321
-	-	-	81,045
<u>\$ 542,470</u>	<u>\$ 151,067</u>	<u>\$ 188</u>	<u>\$1,951,791</u>

\$ -	\$ -	\$ -	\$ 47,279
-	-	-	44,669
-	72,270	-	247,984
-	78,769	-	94,152
<u>357,512</u>	<u>-</u>	<u>-</u>	<u>452,964</u>
<u>\$ 357,512</u>	<u>\$ 151,039</u>	<u>\$ -</u>	<u>\$ 887,048</u>

\$ -	\$ -	\$ -	\$ 5,554
-	-	-	750,979
184,958	-	-	307,994
-	28	-	28
<u>-</u>	<u>-</u>	<u>188</u>	<u>188</u>
<u>\$ 184,958</u>	<u>\$ 28</u>	<u>\$ 188</u>	<u>\$1,064,743</u>
<u>\$ 542,470</u>	<u>\$ 151,067</u>	<u>\$ 188</u>	<u>\$1,951,791</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balance - total governmental funds	\$1,064,743
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	9,466,597
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	394,983
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	1,229,149
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(15,575)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(<u>3,086,022</u>)
Net assets of governmental activities	<u>\$9,053,875</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2010

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,406,415	\$ -	\$ 124,164
License and permits	9,420	-	-
State and federal grants	753,244	623,749	198,237
Charges for services	743,404	-	-
Interest and rents	12,760	3,785	46
Other revenue	<u>66,812</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$2,992,055</u>	<u>\$ 627,534</u>	<u>\$ 322,447</u>
EXPENDITURES:			
General government	\$ 681,945	\$ 40,855	\$ 30,525
Public safety	927,507	-	-
Public works	566,475	588,094	284,888
Recreation and parks	313,311	-	-
Loans	-	-	-
Other expenditures	71,125	-	-
Capital outlay	44,005	-	-
Debt service:			
Principal	102,042	-	-
Interest and other charges	<u>35,423</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$2,741,833</u>	<u>\$ 628,949</u>	<u>\$ 315,413</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 250,222</u>	<u>(\$ 1,415)</u>	<u>\$ 7,034</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 5,700	\$ -	\$ 30,000
Transfers out	<u>(413,461)</u>	<u>(30,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 407,761)</u>	<u>(\$ 30,000)</u>	<u>\$ 30,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 157,539)</u>	<u>(\$ 31,415)</u>	<u>\$ 37,034</u>
Fund balances, beginning of year	<u>\$ 914,072</u>	<u>\$ 117,114</u>	<u>\$ 303</u>
Fund balances, end of year	<u><u>\$ 756,533</u></u>	<u><u>\$ 85,699</u></u>	<u><u>\$ 37,337</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$1,530,579
-	-	-	9,420
-	699,825	-	2,275,055
-	-	-	743,404
6,160	-	-	22,751
<u>55,723</u>	<u>4,015</u>	<u>-</u>	<u>126,550</u>
<u>\$ 61,883</u>	<u>\$ 703,840</u>	<u>\$ -</u>	<u>\$4,707,759</u>
\$ 837	\$ 4,426	\$ 42	\$ 758,630
-	-	-	927,507
-	642,843	-	2,082,300
-	-	-	313,311
15,800	-	-	15,800
-	-	-	71,125
-	206,773	-	250,778
-	-	105,000	207,042
<u>-</u>	<u>-</u>	<u>90,236</u>	<u>125,659</u>
<u>\$ 16,637</u>	<u>\$ 854,042</u>	<u>\$ 195,278</u>	<u>\$4,752,152</u>
<u>\$ 45,246</u>	<u>(\$ 150,202)</u>	<u>(\$ 195,278)</u>	<u>(\$ 44,393)</u>
\$ -	\$ 150,000	\$ 195,251	\$ 380,951
<u>-</u>	<u>-</u>	<u>-</u>	<u>(443,461)</u>
<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 195,251</u>	<u>(\$ 62,510)</u>
<u>\$ 45,246</u>	<u>(\$ 202)</u>	<u>(\$ 27)</u>	<u>(\$ 106,903)</u>
<u>\$ 139,712</u>	<u>\$ 230</u>	<u>\$ 215</u>	<u>\$1,171,646</u>
<u>\$ 184,958</u>	<u>\$ 28</u>	<u>\$ 188</u>	<u>\$1,064,743</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2010

Net change in fund balances - total governmental funds			(\$106,903)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		250,778	
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$309,110 and reduced by depreciation recaptured on assets disposed of \$219,160.	(453,967)		
Repayments of long-term debt is an expenditure in the governmental funds but not in the statement of activities.	195,581		
Repayments of revolving loan fund loan principal, in the amount of \$50,813 is recorded as revenue in the governmental funds. Issuance of revolving loan funds in the amount of \$15,800 is recorded as an expenditure in the governmental funds. These amounts are not recorded in the statement of activities.	(35,013)		
Some property tax and long-term receivables will not be collected until after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.	(7,557)		
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	1,120		
In the statement of activities, an expense is recorded for other post-employment benefits (OPEB) to adjust the net OPEB obligation to the actuarial determined amount less any contributions to fund the obligation. This is the difference between the prior year and the current year net OPEB obligation.	(30,263)		
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net amount allocated to business-type and component units activities and depreciation expense.			
Change in net assets	(\$ 87,322)		
Net of amount allocated to business-type and component unit activities	39,653		
Depreciation expense	309,110		
Depreciation recapture	(219,160)	42,281	
Change in net assets of governmental activities			(\$143,943)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2010

<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 82,129	\$ 591,030	\$ 114,753	\$ 28,106
Accounts receivable	95,424	181,916	-	1,548
Bond proceeds receivable	275,000	628,000	-	-
Due from other funds	9,199	68,716	-	-
Due from component units	-	-	-	-
Due from other governmental units	-	54,741	-	-
TOTAL CURRENT ASSETS	<u>\$ 461,752</u>	<u>\$1,524,403</u>	<u>\$ 114,753</u>	<u>\$ 29,654</u>
<u>NONCURRENT ASSETS</u>				
Restricted assets	\$ 473,600	\$ 92,082	\$ -	\$ -
Capital assets:				
Property and equipment	9,501,570	5,550,714	4,418,758	1,299,784
Construction in progress	878,031	1,707,660	9,104	-
Less accumulated depreciation	(4,221,965)	(3,764,042)	(2,733,216)	(821,625)
Investment in Portage Lake Water and Sewer Authority	-	941,313	-	-
TOTAL NONCURRENT ASSETS	<u>\$6,631,236</u>	<u>\$4,527,727</u>	<u>\$1,694,646</u>	<u>\$ 478,159</u>
TOTAL ASSETS	<u>\$7,092,988</u>	<u>\$6,052,130</u>	<u>\$1,809,399</u>	<u>\$ 507,813</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 3,808	\$ 3,146	\$ 263	\$ 3,021
Accrued wages and benefits	3,691	7,369	2,258	8,279
Accrued expenses	74,378	39,756	-	-
Due to other funds	97,502	9,485	261,851	2,500
Due to other governmental units	-	-	-	43,641
Current maturities on long-term debt	91,000	78,000	-	-
TOTAL CURRENT LIABILITIES	<u>\$ 270,379</u>	<u>\$ 137,756</u>	<u>\$ 264,372</u>	<u>\$ 57,441</u>
<u>NONCURRENT LIABILITIES</u>				
Loans payable	\$ -	\$ -	\$ -	\$ -
Bonds payable	5,293,000	2,647,000	-	-
Less current maturities	(91,000)	(78,000)	-	-
TOTAL NONCURRENT LIABILITIES	<u>\$5,202,000</u>	<u>\$2,569,000</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$5,472,379</u>	<u>\$2,706,756</u>	<u>\$ 264,372</u>	<u>\$ 57,441</u>
<u>NET ASSETS</u>				
Invested in capital assets - net of related debt	\$1,139,636	\$2,416,645	\$1,694,646	\$ 478,159
Restricted for debt service	410,952	52,326	-	-
Unrestricted	70,021	876,403	(149,619)	(27,787)
TOTAL NET ASSETS	<u>\$1,620,609</u>	<u>\$3,345,374</u>	<u>\$1,545,027</u>	<u>\$ 450,372</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of Internal Service Fund's activities
related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements
are an integral part of this statements.

<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 816,018	\$ 52,563
278,888	-
903,000	-
77,915	440,920
-	5,136
<u>54,741</u>	<u>-</u>
<u>\$ 2,130,562</u>	<u>\$ 498,619</u>
\$ 565,682	\$ -
20,770,826	3,356,464
2,594,795	-
(11,540,848)	(2,413,352)
<u>941,313</u>	<u>-</u>
<u>\$13,331,768</u>	<u>\$ 943,112</u>
<u>\$15,462,330</u>	<u>\$ 1,441,731</u>
\$ 10,238	\$ 51,380
21,597	2,276
114,134	782
371,338	76,426
43,641	-
<u>169,000</u>	<u>11,000</u>
<u>\$ 729,948</u>	<u>\$ 141,864</u>
\$ -	\$ 49,000
7,940,000	-
(<u>169,000</u>)	(<u>11,000</u>)
<u>\$ 7,771,000</u>	<u>\$ 38,000</u>
<u>\$ 8,500,948</u>	<u>\$ 179,864</u>
\$ 5,729,086	\$ 894,112
463,278	-
<u>769,018</u>	<u>367,755</u>
<u>\$ 6,961,382</u>	<u><u>\$ 1,261,867</u></u>
<u>15,343</u>	
<u><u>\$ 6,976,725</u></u>	

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
Operating revenues:				
Utility Services	\$ 943,521	\$1,786,560	\$ -	\$ -
Parking revenues	-	-	178,013	-
Transit fares	-	-	-	103,422
Rents and other revenues	<u>52,336</u>	<u>14,345</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$ 995,857</u>	<u>\$1,800,905</u>	<u>\$ 178,013</u>	<u>\$103,422</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 645,453	\$1,644,917	\$ 113,495	\$386,741
Depreciation	<u>186,716</u>	<u>99,666</u>	<u>108,544</u>	<u>77,497</u>
TOTAL OPERATING EXPENSES	<u>\$ 832,169</u>	<u>\$1,744,583</u>	<u>\$ 222,039</u>	<u>\$464,238</u>
OPERATING INCOME (LOSS)	<u>\$ 163,688</u>	<u>\$ 56,322</u>	<u>(\$ 44,026)</u>	<u>(\$360,816)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 15,033	\$ 8,680	\$ 19	\$ 5
Gain on sale of equipment	-	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,481</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 15,033</u>	<u>\$ 8,680</u>	<u>\$ 19</u>	<u>\$250,486</u>
Non-operating expenses:				
Interest	\$ 214,614	\$ 81,636	\$ -	\$ 73
Loss on sale of equipment	-	-	-	-
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,802</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 214,614</u>	<u>\$ 81,636</u>	<u>\$ -</u>	<u>\$ 51,875</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(\$ 35,893)</u>	<u>(\$ 16,634)</u>	<u>(\$ 44,007)</u>	<u>(\$162,205)</u>
Capital contributions	-	-	-	9,664
Transfers in (out)	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>80,000</u>
CHANGE IN NET ASSETS	<u>(\$ 35,893)</u>	<u>(\$ 16,634)</u>	<u>(\$ 14,007)</u>	<u>(\$ 72,541)</u>
Total net assets, beginning of year	<u>\$1,656,502</u>	<u>\$3,362,008</u>	<u>\$1,559,034</u>	<u>\$522,913</u>
Total net assets, end of year	<u>\$1,620,609</u>	<u>\$3,345,374</u>	<u>\$1,545,027</u>	<u>\$450,372</u>

Amounts reported for business-type activities in the statement of activities are different because:

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

The accompanying notes to financial statements are an integral part of this statement.

<u>Totals</u>	<u>Governmental Activities- Internal Service Fund</u>
\$2,730,081	\$ -
178,013	-
103,422	-
<u>66,681</u>	<u>694,023</u>
<u>\$3,078,197</u>	<u>\$ 694,023</u>
\$2,790,606	\$ 547,563
<u>472,423</u>	<u>309,110</u>
<u>\$3,263,029</u>	<u>\$ 856,673</u>
(\$ 184,832)	(\$ 162,650)
\$ 23,737	\$ 9
-	46,300
<u>250,481</u>	<u>-</u>
<u>\$ 274,218</u>	<u>\$ 46,309</u>
\$ 296,323	\$ 2,711
-	47,420
<u>51,802</u>	<u>-</u>
<u>\$ 348,125</u>	<u>\$ 50,131</u>
(\$ 258,739)	(\$ 166,472)
9,664	71,000
<u>110,000</u>	<u>8,150</u>
(\$ 139,075)	(\$ 87,322)
	<u>\$ 1,349,189</u>
	<u>\$ 1,261,867</u>
(<u>34,187</u>)	
<u>(\$ 173,262)</u>	

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2010

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from operating activities:			
Receipts from customers	\$1,009,043	\$1,825,153	\$178,013
Payments to suppliers	(472,648)	(1,570,137)	(74,668)
Payments to employees	(223,285)	(165,779)	(44,473)
Other receipts (payments)	-	-	-
Net cash provided (used) by operating activities	<u>\$ 313,110</u>	<u>\$ 89,237</u>	<u>\$ 58,872</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	(\$ 9,199)	(\$ 68,716)	\$ -
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	87,520	(10,116)	(21,910)
Increase (decrease) in due to other governmental units	-	-	-
Transfers from other funds and component units	-	-	30,000
Transfers to other funds and component units	-	-	-
Proceeds from grants	-	-	-
Specialized services grants paid	-	-	-
Interest expense and finance charges	-	-	-
Net cash provided (used) by noncapital financing activities	<u>\$ 78,321</u>	<u>(\$ 78,832)</u>	<u>\$ 8,090</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ -	\$ -
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(12,495)	(23,251)	-
(Increase) decrease in construction in progress	(809,269)	(1,411,480)	(9,104)
(Increase) decrease in bonds receivable	819,000	1,421,000	-
Grant proceeds	-	-	-
Issuance (reduction) of long-term debt	(90,000)	(72,000)	-
(Increase) decrease in grants receivable	-	-	-
(Increase) decrease in restricted assets	(59,930)	(40,458)	-
Interest paid on long-term debt	(203,453)	(49,525)	-
Net cash provided (used) by capital and related financing activities	<u>(\$ 356,147)</u>	<u>(\$ 175,714)</u>	<u>(\$ 9,104)</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 102,425	\$3,114,634	\$ 695,728
(106,470)	(2,223,923)	(463,225)
(279,156)	(712,693)	(67,588)
<u>-</u>	<u>-</u>	<u>6,447</u>
(\$ 283,201)	\$ 178,018	\$ 171,362
\$ -	(\$ 77,915)	\$ -
5,468	5,468	-
(27,564)	27,930	-
43,048	43,048	-
80,000	110,000	13,850
-	-	(5,700)
250,481	250,481	-
(51,802)	(51,802)	-
(<u>73</u>)	(<u>73</u>)	<u>-</u>
\$ 299,558	\$ 307,137	\$ 8,150
\$ 9,664	\$ 9,664	\$ -
-	-	95,919
(10,730)	(46,476)	(375,781)
-	(2,229,853)	-
-	2,240,000	-
-	-	71,000
-	(162,000)	(11,000)
8,773	8,773	-
-	(100,388)	-
<u>-</u>	(<u>252,978</u>)	(<u>2,887</u>)
\$ 7,707	(\$ 533,258)	(\$ 222,749)

CITY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended June 30, 2010

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from investing activities -			
Interest received	\$ 15,033	\$ 8,680	\$ 19
Net increase (decrease) in cash and cash equivalents	\$ 50,317	(\$ 156,629)	\$ 57,877
Cash - beginning of year	<u>31,812</u>	<u>747,659</u>	<u>56,876</u>
Cash - end of year	<u>\$ 82,129</u>	<u>\$ 591,030</u>	<u>\$ 114,753</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 163,688	\$ 56,322	(\$ 44,026)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	186,716	99,666	108,544
Changes in assets and liabilities:			
Receivables	13,186	24,248	-
Due from other funds and component units	-	-	-
Due from other governmental units	-	(54,741)	-
Accounts and other payables	(47,445)	(29,091)	(4,383)
Accrued expenses	(3,035)	(1,993)	(1,263)
Due to other funds	-	-	-
Due to other governmental units	-	(5,174)	-
Net cash provided by operating activities	<u>\$ 313,110</u>	<u>\$ 89,237</u>	<u>\$ 58,872</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 5	\$ 23,737	\$ 9
\$ 24,069	(\$ 24,366)	(\$ 43,228)
<u>4,037</u>	<u>840,384</u>	<u>95,791</u>
<u>\$ 28,106</u>	<u>\$ 816,018</u>	<u>\$ 52,563</u>
(\$ 360,816)	(\$ 184,832)	(\$ 162,650)
77,497	472,423	309,110
(997)	36,437	652
-	-	(68,926)
-	(54,741)	-
1,274	(79,645)	15,019
(159)	(6,450)	1,731
-	-	76,426
<u>-</u>	<u>(5,174)</u>	<u>-</u>
<u>(\$ 283,201)</u>	<u>\$ 178,018</u>	<u>\$ 171,362</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<u>ASSETS</u>			
Cash	\$ 80,775	\$ 735,267	\$ 19,127
Investments - at fair value	756,081	-	-
Prepaid expenses	-	24,077	-
Loans to retirement plan participants	<u>36,407</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 873,263</u>	<u>\$ 759,344</u>	<u>\$ 19,127</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 27,043	\$ 650	\$ -
Due to other governmental units	-	-	18,311
Due to component units	-	-	816
Accumulated employee sick leave	-	51,873	-
Accumulated employee vacation	<u>-</u>	<u>90,961</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 27,043</u>	<u>\$ 143,484</u>	<u>\$ 19,127</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits	\$ 846,220	\$ -	\$ -
Unrestricted	<u>-</u>	<u>615,860</u>	<u>-</u>
TOTAL NET ASSETS	<u><u>\$ 846,220</u></u>	<u><u>\$ 615,860</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
FIDUCIARY FUND TYPES
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2010

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 164,404	\$ -
Investment income (loss)	46,954	-
Charges for services	-	1,096,917
Other revenue	<u>-</u>	<u>15,543</u>
TOTAL OPERATING REVENUES	<u>\$ 211,358</u>	<u>\$1,112,460</u>
Operating expenses:		
Plan distributions	\$1,908,530	\$ -
Payroll taxes - employer share	-	132,062
Hospitalization insurance	-	362,860
Sick pay	-	42,444
Vacation pay	-	108,929
Holiday pay	-	44,057
Funeral leave	-	2,155
Longevity pay	-	8,775
Workers' compensation insurance	-	45,736
Unemployment insurance	-	17,436
Retirement contributions	-	164,403
Life insurance	-	39,486
Disability insurance	-	6,799
Other	<u>500</u>	<u>5,658</u>
TOTAL OPERATING EXPENSES	<u>\$1,909,030</u>	<u>\$ 980,800</u>
OPERATING INCOME (LOSS)	(\$1,697,672)	\$ 131,660
Nonoperating revenues (expenses) -		
Net appreciation (depreciation) in fair value of investments	<u>391,752</u>	<u>-</u>
Changes in net assets	(\$1,305,920)	\$ 131,660
Net assets, beginning of year	<u>2,152,140</u>	<u>484,200</u>
Net assets, end of year	<u>\$ 846,220</u>	<u>\$ 615,860</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS
June 30, 2010

	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
<u>ASSETS</u>				
Cash	\$ 106,664	\$ 218,874	\$ 102	\$ 325,640
Taxes receivable	28,989	60,209	-	89,198
Due from primary government	-	86,003	15,383	101,386
Due from other governmental units	-	-	134,541	134,541
Capital assets-net	<u>810,576</u>	<u>4,302,703</u>	<u>-</u>	<u>5,113,279</u>
TOTAL ASSETS	<u>\$ 946,229</u>	<u>\$4,667,789</u>	<u>\$ 150,026</u>	<u>\$5,764,044</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 28,061	\$ 48,189	\$ -	\$ 76,250
Accrued expenses	8,476	8,871	-	17,347
Due to primary government	23,621	-	-	23,621
Noncurrent liabilities:				
Due within one year	83,644	125,000	43,853	252,497
Due in more than one year	<u>650,815</u>	<u>780,000</u>	<u>90,688</u>	<u>1,521,503</u>
TOTAL LIABILITIES	<u>\$ 794,617</u>	<u>\$ 962,060</u>	<u>\$ 134,541</u>	<u>\$1,891,218</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 780,576	\$3,397,703	\$ -	\$4,178,279
Unrestricted	<u>(628,964)</u>	<u>308,026</u>	<u>15,485</u>	<u>(305,453)</u>
TOTAL NET ASSETS	<u><u>\$ 151,612</u></u>	<u><u>\$3,705,729</u></u>	<u><u>\$ 15,485</u></u>	<u><u>\$3,872,826</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 COMPONENT UNITS - STATEMENT OF ACTIVITIES
 Year ended June 30, 2010

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Downtown Development				
Authority:				
General government	\$ 125,138	\$ -	\$ -	\$ -
Parks and recreation	26,827	-	-	-
Public works	<u>19,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DOWNTOWN				
DEVELOPMENT AUTHORITY	<u>\$ 171,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tax Increment				
Finance Authority:				
General government	\$ 143,175	\$ -	\$ -	\$ -
Public works	<u>105,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TAX INCREMENT				
FINANCE AUTHORITY	<u>\$ 248,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Brownfield Redevelopment				
Authority -				
General government	<u>\$ 3,992</u>	<u>\$ -</u>	<u>\$ 3,992</u>	<u>\$ -</u>

General revenues:
 Property taxes, levied for general purposes
 Unrestricted investment earnings
 Miscellaneous
 Transfers

Change in net assets
 Net assets, beginning of year
 Net assets, end of year

The accompanying notes to financial statements
 are an integral part of this statement.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>			
<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
(\$ 125,138)	\$ -	\$ -	(\$ 125,138)
(26,827)	-	-	(26,827)
(19,249)	-	-	(19,249)
(\$ 171,214)	\$ -	\$ -	(\$ 171,214)
\$ -	(\$ 143,175)	\$ -	(\$ 143,175)
-	(105,329)	-	(105,329)
\$ -	(\$ 248,504)	\$ -	(\$ 248,504)
\$ -	\$ -	\$ -	\$ -
\$ 272,723	\$ 558,554	\$ -	\$ 831,277
392	693	-	1,085
1,891	-	-	1,891
(55,640)	-	-	(55,640)
\$ 219,366	\$ 559,247	\$ -	\$ 778,613
\$ 48,152	\$ 310,743	\$ -	\$ 358,895
103,460	3,394,986	15,485	3,513,931
\$ 151,612	\$ 3,705,729	\$ 15,485	\$3,872,826

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2010

NOTE A - DESCRIPTION OF CITY OPERATIONS

The City was organized on June 8, 1970 and covers an area of approximately 1,869 acres. The City operates under a Council-Manager form of government with an elected council of seven members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Houghton conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Houghton:

REPORTING ENTITY

The City of Houghton is governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund types and account groups.

BUILDING AUTHORITY

The Building Authority of the City of Houghton is governed by a five member board appointed by the City Council. It was created to facilitate the issuance of bonded debt. This unit has no day-to-day operations and the debt issued by it is reflected in the government-wide statement of net assets under governmental activities and component units.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the financial statements. A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are considered to be component units of the City and their financial statements are presented discretely with the City's. The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are governed by the same board. The board consists of nine members which include the City Manager and 8 others that are appointed by the Mayor subject to approval by the City Council.

The Houghton Housing Commission is a component unit of the City of Houghton. It is governed by a five member board appointed by the City Manager. It is audited separately.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Financial information for the Houghton Housing Commission as of December 31, 2009, is as follows:

Assets:	
Current assets	\$ 333,075
Net fixed assets	<u>1,554,918</u>
Total Assets	<u>\$1,887,993</u>
Liabilities:	
Current liabilities	\$ 63,273
Other	<u>3,328</u>
Total Liabilities	<u>\$ 66,601</u>
Net Assets:	
Investment in capital assets, net of related debt	\$1,554,918
Unrestricted net assets	<u>266,474</u>
Total Net Assets	<u>\$1,821,392</u>
Operating Revenues:	
Tenant revenue	\$ 224,005
Program grants - subsidies	149,952
Other	<u>19,576</u>
Total Operating Revenues	<u>\$ 393,533</u>
Operating Expenses:	
General operations	\$ 359,058
Depreciation	<u>158,622</u>
Total Operating Expenses	<u>\$ 517,680</u>
Operating Income (Loss)	<u>(\$ 124,147)</u>
Other Income (Expenses)	<u>\$ 2,418</u>
Capital grant contributions	<u>\$ 216,345</u>
Change in Net Assets	\$ 94,616
Net Assets, beginning of period	<u>1,726,776</u>
Net Assets, end of period	<u>\$1,821,392</u>

Complete financial information can be obtained by contacting Heritage Manor, Houghton, Michigan 49931.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

On January 24, 1964, Portage Lake Water and Sewer Authority entered into a contract with the City of Houghton and the City of Hancock. The contract calls for the acquisition, improvements, enlargements, extension, operation and maintenance of a sewage disposal system. The cost of operations and improvements are divided between the City of Houghton and the City of Hancock on a pro rata basis based upon the percentage use of the plant by each city as measured by the material flow from the pumping station. The Authority is not considered a component unit of either city. The City's investment in the Authority is included in the Sewage Disposal System Fund's financial statements using the cost method of accounting.

Audited financial information for the joint venture as of June 30, 2010:

Total assets	<u>\$10,465,734</u>
Liabilities:	
Current liabilities	\$ 836,469
Long-term liabilities	<u>9,080,139</u>
	\$ 9,916,608
Total net assets	<u>549,126</u>
	<u>\$10,465,734</u>
Total revenues	\$ 1,305,070
Total expenditures	<u>2,317,846</u>
	INCOME (LOSS) BEFORE CONTRIBUTIONS (\$ 1,012,776)
Amortization of contributed capital	<u>672,471</u>
	(DECREASE) IN NET ASSETS (<u>\$ 340,305</u>)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into seven generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

General Obligation Debt Retirement Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).

PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include the Tax Collection Fund, an Agency Fund; the Employee Retirement Fund, a Pension Fund; and the Employee Benefit Fund, an Expendable Trust Fund. The Employee Retirement Fund is accounted for in essentially the same manner as proprietary fund since capital maintenance is critical. Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and don't involve measurement of results of operations.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned, including unbilled water and sewer services which are accrued, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Governmental Fund Types and Expendable Trust Funds use a current financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Agency Funds also use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and inter-governmental revenues.

Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Property taxes include amounts levied against all real and public utility property and tangible personal property which is used in business located in the City. Taxes are levied on July 1 on the taxable value listed as of the prior January 1. The due date for taxes to be paid without penalty for the summer levy is July 31, the winter levy due date is December 1. All real property taxes remaining unpaid by March 1 are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. In the fund financial statements, any taxes collected before that date are recorded as deferred revenue. Property taxes receivable over 60 days are required to be recorded as deferred revenue in accordance with generally accepted accounting principles for local governments.

Taxable values are established by the City Assessor. A revaluation of all property is required annually. The City's tax rate applicable to 2009 was \$15.00 on each 1,000.00 of tax valuation.

Proprietary fund types, Internal Service and Pension Trust Funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the City applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

GRANTING OF CREDIT

The General Fund grants credit to the State of Michigan and various local units of government and individuals in the Upper Peninsula of Michigan. The City also extends Credit to its Enterprise Fund customers on a routine basis. In addition, the City has loaned monies to various individuals and corporations explained in Note D below.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

BANK DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

City employees earn vacation leave, which generally cannot be accumulated. Unused sick leave may be accumulated to a specific maximum amount. In accordance with generally accepted accounting principles an accrual for compensated absences is reflected in the fiduciary fund types financial statements. The amount of current year compensated absences for the City is budgeted annually as an expense in the Employee Benefit Fund. The liability is split between the current and the long-term portion. The current portion is recorded in the Employee Benefit Fund. The long-term portion is recorded in the Government-Wide Statement of Net Assets.

OTHER POST-EMPLOYMENT BENEFITS PAYABLE

The liability recorded in the Statement of Net Assets for other post-employment benefits payable is based on an actuarially determined amount less amounts paid in the current year for active members receiving the post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City of Houghton to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation, repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy as required by Act 196 PA 1997 has been adopted by the Council. The City's deposits and investments are in accordance with statutory authority. At June 30, 2010, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 906,203	\$ 816,018	\$ 835,169	\$ 2,557,390	\$ 325,640
Investments	81,045	-	756,081	837,126	-
Restricted assets	-	565,682	-	565,682	-
Total	<u>\$ 987,248</u>	<u>\$1,381,700</u>	<u>\$1,591,250</u>	<u>\$3,960,198</u>	<u>\$ 325,640</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Bank Balances</u>		
<u>Deposits</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured or collateralized	\$3,194,852	\$ 327,412	\$3,522,264
Uninsured	-	-	-
Total Deposits	<u>\$3,194,852</u>	<u>\$ 327,412</u>	<u>\$3,522,264</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

At year end, the carrying amount of cash was \$2,476,615 and \$325,640 for the primary government and component units respectively. Deposits totaling \$277,434 are included with Restricted Assets and deposits of \$80,775 are classified as Retirement Account-Cash. Included with Cash was petty cash of \$1,164. The total carrying amount of deposits in these accounts is \$3,123,072 and \$325,640 for the primary government and component units respectively.

In accordance with GASB Statement No. 3, investments are classified into categories of credit risk as follows:

Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name).

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized					
Cash equivalents	\$298,375	\$ -	\$ -	\$ 298,375	\$ 298,375
Stocks, bonds and secure mortgages	<u>242,356</u>	<u>-</u>	<u>-</u>	<u>242,356</u>	<u>242,356</u>
	<u>\$540,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540,731</u>	<u>\$ 540,731</u>
Nonrisk-Categorized					
Mutual funds				\$ 534,050	\$ 534,050
Annuities				<u>50,593</u>	<u>50,593</u>
				<u>\$ 584,643</u>	<u>\$ 584,643</u>
Total investments				<u><u>\$1,125,374</u></u>	<u><u>\$1,125,374</u></u>

Investments totaling \$288,248 are included with Restricted Assets. Bonds and secured mortgages, stocks, mutual funds, and annuities are held in the Employee Retirement Fund.

The City of Houghton's General Fund and Water Supply Fund have investments in several money market mutual funds and bonds and secured mortgages. The nature of the mutual funds and annuities does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES

Receivables as of June 30, 2010 are as follows:

	General Fund	Special Revenue Funds	Capital Projects Fund	Water Fund	Sewer Fund
Taxes receivable	\$ 93,691	\$ -	\$ -	\$ -	\$ -
Accounts	44,198	-	-	95,424	181,916
Bond proceeds	-	-	-	275,000	628,000
Long-term loans	21,809	357,512	-	-	-
Intergovernmental	<u>108,422</u>	<u>82,372</u>	<u>97,193</u>	<u>-</u>	<u>54,741</u>
Total receivables	<u>\$268,120</u>	<u>\$439,884</u>	<u>\$ 97,193</u>	<u>\$ 370,424</u>	<u>\$ 864,657</u>

	Transit Fund	Fiduciary Funds	Total
Taxes receivable	\$ -	\$ -	\$ 93,691
Accounts	1,548	-	323,086
Bond proceeds	-	-	903,000
Long-term loans	-	36,407	415,728
Intergovernmental	<u>-</u>	<u>-</u>	<u>342,728</u>
Total receivables	<u>\$ 1,548</u>	<u>\$ 36,407</u>	<u>\$2,078,233</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 15,662	\$ -
Long-term loans receivable	379,321	-
Insurance proceeds	<u>-</u>	<u>57,981</u>
Total	<u>\$ 394,983</u>	<u>\$ 57,981</u>

LONG-TERM LOANS RECEIVABLE

The long-term loan receivable in the General Fund is the amount due on an installment sale (\$200,000 original balance, \$21,809 remaining) of a building to U.P. Engineering, Inc. The agreement calls for 240 monthly payments of \$1,432.90, which includes interest at a rate of 6% per annum.

Long-term loans receivable in the Revolving Fund, totaling \$357,512 consist of loans made to various commercial organizations from funds provided by Urban Development Action Grants and Community Development Block Grants. Interest rates vary from 2% to 4% per annum. Loans are payable over periods ranging from ten to twenty years.

These long-term receivables are offset by a like amount recorded as deferred revenue in each of these funds in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES (CONTINUED)

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

a. The City received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the balance sheet at June 30, 2010. The amount receivable (owed) and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Due from (to) State</u>
1999-00	(\$ 11,144)
2000-01	(9,896)
2007-08	(14,225)
2008-09	(3,703)
2009-10	(757)
	<u>(\$ 39,725)</u>

These amounts will be treated as adjustments to future State Assistance Payments.

b. The City has Federal Section 5311 funds receivable and payable from current and prior years operations which have been included as net accounts receivable on the balance sheet at June 30, 2010. The amounts and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Amount Receivable (Payable)</u>
1998-99	(\$ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	(28)
2003-04	(654)
2004-05	(2,263)
2005-06	8
2006-07	(3,223)
2007-08	11,637
2008-09	1,997
2009-10	(8,081)
	<u>(\$ 3,916)</u>

c. The amount of the 2009-10 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	<u>State Operating Assistance</u>	<u>Federal Section 5311 Funds</u>
Maximum allowable per computation	\$ 108,152	\$ 49,314
2009-10 receipts	(108,909)	(40,843)
Advance receipt	<u>-</u>	<u>(16,552)</u>
Amount receivable (payable)	<u>(\$ 757)</u>	<u>(\$ 8,081)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1	Additions
Governmental activities:		
Capital assets not being depreciated - land	\$ 691,259	\$ -
Capital assets being depreciated:		
Buildings	\$ 3,898,228	\$ 151,703
Improvements	4,159,562	35,660
Equipment	3,874,268	384,126
Infrastructure	<u>5,347,212</u>	<u>55,070</u>
Total capital assets being depreciated	<u>\$17,279,270</u>	<u>\$ 626,559</u>
Less accumulated depreciation for:		
Buildings	(\$ 821,429)	(\$ 71,775)
Improvements	(2,365,801)	(98,345)
Equipment	(2,466,809)	(380,562)
Infrastructure	<u>(1,763,173)</u>	<u>(122,466)</u>
Total accumulated depreciation	<u>(\$ 7,417,212)</u>	<u>(\$ 673,128)</u>
Total capital assets, being depreciated, net	<u>\$ 9,862,058</u>	<u>(\$ 46,569)</u>
Governmental activities capital assets, net	<u><u>\$10,553,317</u></u>	<u><u>(\$ 46,569)</u></u>
Business-type activities:		
Capital assets not being depreciated:		
PLWSA	\$ 941,313	\$ -
Construction in progress	<u>364,942</u>	<u>2,229,853</u>
Total capital assets not being depreciated	<u>\$ 1,306,255</u>	<u>\$2,229,853</u>
Capital assets being depreciated:		
Buildings	\$ 254,777	\$ -
Improvements	64,670	9,664
Equipment	1,321,539	10,304
Infrastructure	<u>19,083,365</u>	<u>26,507</u>
Total capital assets being depreciated	<u>\$20,724,351</u>	<u>\$ 46,475</u>
Less accumulated depreciation for:		
Buildings	(\$ 117,644)	(\$ 6,294)
Improvements	(6,397)	(1,614)
Equipment	(827,804)	(96,641)
Infrastructure	<u>(10,116,581)</u>	<u>(367,873)</u>
Total accumulated depreciation	<u>(\$11,068,426)</u>	<u>(\$ 472,422)</u>
Total capital assets being depreciated, net	<u>\$ 9,655,925</u>	<u>(\$ 425,947)</u>
Business-type activities capital assets, net	<u><u>\$10,962,180</u></u>	<u><u>\$1,803,906</u></u>
Component unit activities:		
Capital assets not being depreciated - land	\$ 52,111	\$ -
Capital assets being depreciated:		
Buildings	\$ 635,570	\$ -
Infrastructure	<u>5,572,271</u>	<u>177,133</u>
Total capital assets being depreciated	<u>\$ 6,207,841</u>	<u>\$ 177,133</u>
Less accumulated depreciation for:		
Buildings	(\$ 170,106)	(\$ 4,611)
Infrastructure	<u>(1,029,122)</u>	<u>(119,967)</u>
Total accumulated depreciation	<u>(\$ 1,119,228)</u>	<u>(\$ 124,578)</u>
Total capital assets being depreciated, net	<u>\$ 5,008,613</u>	<u>\$ 52,555</u>
Component unit activities capital assets, net	<u><u>\$ 5,060,724</u></u>	<u><u>\$ 52,555</u></u>

<u>Retirements</u>	<u>Balance June 30</u>
\$ -	\$ 691,259
\$ -	\$ 4,049,931
-	4,195,222
(316,199)	3,942,195
-	<u>5,402,282</u>
(\$ 316,199)	<u>\$17,589,630</u>
\$ -	(\$ 893,184)
-	(2,464,146)
219,160	(2,628,211)
-	<u>(1,885,639)</u>
\$ 219,160	<u>(\$ 7,871,180)</u>
(\$ 97,039)	<u>\$ 9,718,450</u>
<u>(\$ 97,039)</u>	<u><u>\$10,409,709</u></u>
\$ -	\$ 941,313
-	<u>2,594,795</u>
<u>\$ -</u>	<u>\$ 3,536,108</u>
\$ -	\$ 254,777
-	74,334
-	1,331,843
-	<u>19,109,872</u>
<u>\$ -</u>	<u>\$20,770,826</u>
\$ -	(\$ 123,938)
-	(8,011)
-	(924,445)
-	<u>(10,484,454)</u>
<u>\$ -</u>	<u>(\$11,540,848)</u>
\$ -	\$ 9,229,978
<u>\$ -</u>	<u>\$12,766,086</u>
\$ -	\$ 52,111
\$ -	\$ 635,570
-	<u>5,749,404</u>
<u>\$ -</u>	<u>\$ 6,384,974</u>
\$ -	(\$ 174,717)
-	<u>(1,149,089)</u>
<u>\$ -</u>	<u>(\$ 1,323,806)</u>
<u>\$ -</u>	<u>\$ 5,061,168</u>
<u><u>\$ -</u></u>	<u><u>\$ 5,113,279</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 105,891
Public works	436,881
Public safety	66,076
Recreation and parks	<u>64,280</u>
Total depreciation expense - Governmental activities	<u>\$ 673,128</u>
Business-type activities:	
Water	\$ 186,716
Sewer	99,666
Parking	108,545
Transit	<u>77,497</u>
Total depreciation expense - Business-type activities	<u>\$ 472,424</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2010 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 64,076	Equipment	\$ 7,710
		Water	36,380
		Parking System	17,200
		Sewage Disposal	286
		Transit	<u>2,500</u>
SUBTOTAL	<u>\$ 64,076</u>	SUBTOTAL	<u>\$ 64,076</u>
Water	<u>\$ 9,199</u>	Sewage Disposal	<u>\$ 9,199</u>
Sewage Disposal	<u>\$ 68,716</u>	Equipment	<u>\$ 68,716</u>
Major Street	\$ 4,596	Local Street	\$ 3,821
		Public Improvement	<u>775</u>
SUBTOTAL	<u>\$ 4,596</u>	SUBTOTAL	<u>\$ 4,596</u>
Public Improvement	\$ 46,878	General	\$ 2,084
		Parking System	<u>44,794</u>
SUBTOTAL	<u>\$ 46,878</u>	SUBTOTAL	<u>\$ 46,878</u>
Revolving	<u>\$ 61,363</u>	Public Improvement	<u>\$ 61,363</u>
Equipment	\$ 440,920	Water	\$ 61,122
		Major Street	51,636
		Local Street	118,173
		Public Improvement	10,132
		Parking System	<u>199,857</u>
SUBTOTAL	<u>\$ 440,920</u>	SUBTOTAL	<u>\$ 440,920</u>
TOTALS	<u>\$ 695,748</u>	TOTALS	<u>\$ 695,748</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Short-term amounts owed between funds are classified as "Due to/from other funds".

The amounts of receivables and payables between primary government and component units at June 30, 2010 are as follows:

	Receivable from Primary <u>Government</u>	Payable to Primary <u>Government</u>		Receivable from Component <u>Unit</u>	Payable to Component <u>Unit</u>
Downtown Development Authority - General	\$ 693	\$ 29,861	General	\$ 29,442	\$ -
			Equipment	419	-
			Tax Collection	-	693
	<u>\$ 693</u>	<u>\$ 29,861</u>		<u>\$ 29,861</u>	<u>\$ 693</u>
Tax Increment Finance Authority - General	\$ 78,892	\$ 4,717	Public	\$ -	\$ 78,769
			Improvement	-	123
			Tax Collection	-	-
			Equipment	4,717	-
	<u>\$ 78,892</u>	<u>\$ 4,717</u>		<u>\$ 4,717</u>	<u>\$ 78,892</u>
Brown field Redevelopment Authority - General	\$ 15,383	\$ -	General	\$ -	\$ 15,383
TOTALS	<u>\$ 94,968</u>	<u>\$ 34,578</u>	TOTALS	<u>\$ 34,578</u>	<u>\$ 94,968</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business- Type</u>
At June 30, 2010 bonds payable consisted of the following individual issues:		
Water supply and sewage disposal system revenue bonds dated March 9, 1978, mature annually on February 1, 2009 through February 1, 2017, with interest at 5.00% per annum	\$ -	\$ 64,000
Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2009 through May 1, 2019, with interest at 5.00 % per annum.	-	126,000
Water supply and sewage disposal system bonds dated December 1, 1996, mature annually on September 1, 2008 through September 1, 2017, with interest at 5.4525% per annum.	-	265,000
Water supply and sewage disposal system Junior Lien bonds dated October 18, 1995, mature annually on September 1, 2008 through September 1, 2035, with interest at 4.50% per annum.	-	3,825,000
Water supply and sewage disposal system Junior Lien bonds dated December 1, 1996, mature annually on September 1, 2008 through September 1, 2036, with interest at 4.50% per annum.	-	150,000
Sewage disposal limited tax general obligation bonds dated April 1, 1997, mature annually on October 1, 2008 through October 1, 2012.	-	100,000
Water supply and sewage disposal system revenue bonds dated June 24, 2009, mature annually on September 1, 2009 through September 1, 2048, with interest at 4.375% per annum.	-	1,128,000
Water supply and sewage disposal system revenue bonds dated June 24, 2009, mature annually on September 1, 2009 through September 1, 2048 with interest at 4.375% per annum.	-	2,282,000
Building Authority limited tax general obligation bonds dated September 1, 1997, mature annually on October 1, 2008 through October 1, 2017.	210,000	-
Limited tax general obligation bonds dated July 19, 2005, mature annually on November 1, 2008 through November 1, 2034, with interest at 4.25% per annum.	<u>1,850,000</u>	<u>-</u>
Total bonds payable	<u>\$ 2,060,000</u>	<u>\$7,940,000</u>
<u>INSTALLMENT NOTE</u>		
1999 Rural Development Service Installment note dated April 21, 1999, matures annually on March 1, 2009 through March 1, 2014 with interest at 4.75% per annum.	\$ 49,000	\$ -
2006 Rural Development Service Installment note, matures annually on July 1, 2008 through July 1, 2021 with interest at 4.25% per annum.	<u>164,000</u>	<u>-</u>
	<u>\$ 213,000</u>	<u>\$ -</u>
<u>INSTALLMENT PURCHASE CONTRACTS</u>		
Building improvement installment contract with monthly payments of \$4,749.57 including interest beginning December 30, 2006 through May 30, 2021 with interest at 4.60% per annum, financed through Honeywell Global Finance, LLC.	\$ 482,391	\$ -
Fire truck loan with monthly payments of \$3,192.00 including interest beginning April 2, 2009 through March 2, 2012 with interest at 3.35% per annum, financed through Wells Fargo Bank, a financial institution.	<u>64,949</u>	<u>-</u>
Total installment purchase contracts	<u>\$ 547,340</u>	<u>\$ -</u>
<u>ECONOMIC DEVELOPMENT GRANT LOAN</u>		
Michigan CDBG Economic Development Grant Loan	<u>\$ 56,309</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

The long-term portion of employee compensated absences, totaling \$212,714, other post-retirement benefits payable of \$30,263, and the Keyman Life Insurance retirement annuity, of \$15,396 are paid through the Employee Benefits Fund, and reported as governmental activity in the Government-wide Statement of Net Assets.

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2010, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 185,031	\$ 119,707	\$ 169,000	\$ 356,746
2012	176,637	111,819	184,000	346,202
2013	128,494	105,479	191,000	337,002
2014	156,124	100,538	165,000	328,427
2015	146,056	91,780	176,000	320,347
2016	123,080	85,668	182,000	311,802
2017	136,197	79,911	194,000	302,729
2018	138,414	73,772	191,000	293,203
2019	126,736	67,980	170,000	284,773
2020	130,167	62,485	161,000	276,928
2021	137,713	56,732	184,000	269,216
2022	87,000	51,872	195,000	260,763
2023	70,000	49,725	205,000	251,833
2024	75,000	45,272	214,000	242,486
2025-2049	<u>1,060,000</u>	<u>259,240</u>	<u>5,359,000</u>	<u>2,548,817</u>
	<u>\$2,876,649</u>	<u>\$1,361,980</u>	<u>\$7,940,000</u>	<u>\$6,731,274</u>

The individual long-term debt and other general long-term obligations of the City of Houghton and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>06-30-09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-10</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
Water Supply and Sewage Disposal System Bonds(1978)	\$ 72,000	\$ -	\$ 8,000	\$ 64,000
Water Supply and Sewage Disposal System Bonds (1980)	137,000	-	11,000	126,000
Water Supply and Sewage Disposal System Bonds (1996)	285,000	-	20,000	265,000
Junior Lien Water Supply and Sewage System Bonds (1995)	3,882,000	-	57,000	3,825,000
Junior Lien Water Supply and Sewage System Bonds (1997)	153,000	-	3,000	150,000
Sewage System Limited Obligation Revenue Bonds (1997)	130,000	-	30,000	100,000
Water Supply and Sewage Disposal System Bonds (2009)	1,139,000	-	11,000	1,128,000
Water Supply and Sewage Disposal System Bonds (2009)	<u>2,304,000</u>	<u>-</u>	<u>22,000</u>	<u>2,282,000</u>
	<u>\$8,102,000</u>	<u>\$ -</u>	<u>\$ 162,000</u>	<u>\$7,940,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>06-30-09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-10</u>
<u>LIMITED TAX INVESTMENT NOTE</u>				
1999 Rural Development Service Loan	\$ 60,000	\$ -	\$ 11,000	\$ 49,000
<u>LONG-TERM DEBT GROUP OF ACCOUNTS</u>				
<u>GENERAL OBLIGATION BONDS</u>				
Building Authority Bonds (1997)	\$ 275,000	\$ -	\$ 65,000	\$ 210,000
<u>INSTALLMENT PURCHASE CONTRACTS</u>				
Building Improvements	515,671	-	33,280	482,391
Fire truck	100,339	-	35,390	64,949
<u>INSTALLMENT NOTE</u>				
2006 Rural Development Loan	174,000	-	10,000	164,000
<u>LIMITED TAX GENERAL OBLIGATION BONDS</u>				
Library Bonds	1,890,000	-	40,000	1,850,000
<u>ECONOMIC DEVELOPMENT GRANT LOAN</u>				
Michigan CDBG Economic Development Grant MSC 910052-EDIG (1992) including accrued interest	79,681	-	23,372	56,309
<u>PROMISSORY NOTE</u>				
Retirement annuity	<u>22,909</u>	<u>-</u>	<u>7,513</u>	<u>15,396</u>
	\$ 3,057,600	\$ -	\$ 214,555	\$ 2,843,045
Accrued compensated absences payable	329,836	25,712	-	355,548
Less current portion, included in Employee Benefit Fund	136,095	6,739	-	142,834
Other post-employment benefits payable	<u>-</u>	<u>30,263</u>	<u>-</u>	<u>30,263</u>
	<u>\$ 3,251,341</u>	<u>\$ 49,236</u>	<u>\$ 214,555</u>	<u>\$ 3,086,022</u>
<u>TAX INCREMENT FINANCE AUTHORITY</u>				
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1998 Refunding Bonds	\$ 645,000	\$ -	\$ 90,000	\$ 555,000
1999 Tax Increment Bond	<u>375,000</u>	<u>-</u>	<u>25,000</u>	<u>350,000</u>
	<u>\$ 1,020,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 905,000</u>
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1994 DDA Projects - including accrued interest	\$ 752,944	\$ -	\$ 48,485	\$ 704,459
1996 Building Authority Bonds	<u>45,000</u>	<u>-</u>	<u>15,000</u>	<u>30,000</u>
	<u>\$ 797,944</u>	<u>\$ -</u>	<u>\$ 63,485</u>	<u>\$ 734,459</u>
<u>BROWNFIELD REDEVELOPMENT AUTHORITY</u>				
<u>TAX INCREMENT REVENUE BONDS</u>				
Former High School Project	<u>\$ 177,428</u>	<u>\$ -</u>	<u>\$ 42,887</u>	<u>\$ 134,541</u>
	<u><u>\$13,408,713</u></u>	<u><u>\$ 49,236</u></u>	<u><u>\$ 608,927</u></u>	<u><u>\$12,849,022</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1995 WATER AND SEWAGE SYSTEM JUNIOR LIEN REVENUE BONDS

Water and Sewage System Junior Lien Revenue Bonds (\$4,233,000 authorized, \$3,825,000 outstanding) dated October 18, 1995, mature annually on September 1, 2010 through September 1, 2035, with interest at 4.50% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>September 1</u> <u>Principal</u>	<u>Interest</u>	<u>March 1</u> <u>Interest</u>	<u>Total</u>
2011	\$ 57,000	\$ 86,062	\$ 84,780	\$ 227,842
2012	60,000	84,780	83,430	228,210
2013	65,000	83,430	81,967	230,397
2014	70,000	81,968	80,392	232,360
2015	73,000	80,392	78,750	232,142
2016	75,000	78,750	77,063	230,813
2017	80,000	77,063	75,262	232,325
2018	85,000	75,262	73,350	233,612
2019	100,000	73,350	71,100	244,450
2020	105,000	71,100	68,738	244,838
2021	127,000	68,738	65,880	261,618
2022	135,000	65,880	62,842	263,722
2023	142,000	62,842	59,648	264,490
2024	149,000	59,648	56,295	264,943
2025	157,000	56,295	52,762	266,057
2026	164,000	52,762	49,073	265,835
2027	172,000	49,073	45,202	266,275
2028	182,000	45,202	41,108	268,310
2029	190,000	41,108	36,832	267,940
2030	200,000	36,832	32,333	269,165
2031	210,000	32,333	27,607	269,940
2032	222,000	27,607	22,613	272,220
2033	232,000	22,613	17,392	272,005
2034	245,000	17,392	11,880	274,272
2035	258,000	11,880	6,075	275,955
2036	270,000	6,075	-	276,075
	<u>\$3,825,000</u>	<u>\$1,448,437</u>	<u>\$1,362,374</u>	<u>\$6,635,811</u>

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1978

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$188,000 originally issued, \$64,000 outstanding) dated March 9, 1978, mature annually on February 1, 2011 through February 1, 2017, with interest at 5.00% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>August 1</u> <u>Interest</u>	<u>February 1</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,600	\$ 8,000	\$ 3,541	\$ 13,141
2012	1,400	8,000	1,400	10,800
2013	1,200	9,000	1,200	11,400
2014	975	9,000	975	10,950
2015	750	10,000	750	11,500
2016	500	10,000	500	11,000
2017	250	10,000	250	10,500
	<u>\$ 6,675</u>	<u>\$ 64,000</u>	<u>\$ 8,616</u>	<u>\$ 79,291</u>

Bonds are subject to redemption prior to maturity, at the option of the City, in inverse numerical order, on any interest payment dates, at par and accrued interest to date of redemption, upon thirty days written notice to the registered bond holder.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES II OF 1980

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$300,000 authorized, \$126,000 outstanding) dated March 6, 1980, mature annually on May 1, 2011 through May 1, 2019, with interest at 5.00% per annum.

Year Ended June 30	November 1 Interest	Principal	May 1 Interest	Total
2011	\$ 3,150	\$ 12,000	\$ 3,150	\$ 18,300
2012	2,850	12,000	2,850	17,700
2013	2,550	12,000	2,550	17,100
2014	2,250	13,000	2,250	17,500
2015	1,925	14,000	1,925	17,850
2016	1,575	15,000	1,575	18,150
2017	1,200	15,000	1,200	17,400
2018	825	16,000	825	17,650
2019	425	17,000	425	17,850
	<u>\$ 16,750</u>	<u>\$ 126,000</u>	<u>\$ 16,750</u>	<u>\$159,500</u>

1997 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND

Water Supply and Sewage Disposal System Junior Lien Revenue Bond (\$180,000 originally issued and \$150,000 outstanding) dated December 1, 1996, mature annually on September 1, 2010 through September 1, 2036, with interest at 4.50% per annum.

Year Ended June 30	September 1 Principal	Interest	March 1 Interest	Total
2011	\$ 3,000	\$ 3,403	\$ 3,280	\$ 9,683
2012	3,000	3,335	3,222	9,557
2013	3,000	3,258	3,146	9,404
2014	4,000	3,199	3,057	10,256
2015	3,000	3,108	2,990	9,098
2016	4,000	3,040	2,909	9,949
2017	4,000	2,941	2,812	9,753
2018	4,000	2,858	2,723	9,581
2019	4,000	2,768	2,633	9,401
2020	5,000	2,677	2,529	10,206
2021	4,000	2,556	2,433	8,989
2022	5,000	2,473	2,321	9,794
2023	5,000	2,359	2,209	9,568
2024	5,000	2,246	2,103	9,349
2025	6,000	2,127	1,963	10,090
2026	6,000	1,996	1,830	9,826
2027	6,000	1,860	1,696	9,556
2028	6,000	1,724	1,566	9,290
2029	7,000	1,584	1,405	9,989
2030	7,000	1,429	1,250	9,679
2031	7,000	1,270	1,094	9,364
2032	8,000	1,112	917	10,029
2033	8,000	928	736	9,664
2034	8,000	749	557	9,306
2035	9,000	567	357	9,924
2036	9,000	363	157	9,520
2037	7,000	158	-	7,158
	<u>\$ 150,000</u>	<u>\$ 56,088</u>	<u>\$ 51,895</u>	<u>\$257,983</u>

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, on any interest payment date on or after September 1, 1997, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1996

Water Supply and Sewage Disposal System Bonds (denomination \$1,000 each, \$400,000 originally issued, and \$265,000 outstanding), dated December 1, 1996, mature annually on September 1, 2010 through September 1, 2017, with interest at 5.4525% per annum.

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>September 1</u>		<u>March 1</u> <u>Total</u>
		<u>Interest</u>	<u>Interest</u>	
2011	\$ 25,000	\$ 7,596	\$ 6,928	\$ 39,524
2012	30,000	6,928	6,110	43,038
2013	30,000	6,110	5,277	41,387
2014	30,000	5,278	4,430	39,708
2015	35,000	4,430	3,424	42,854
2016	35,000	3,424	2,400	40,824
2017	40,000	2,400	1,210	43,610
2018	40,000	1,210	-	41,210
	<u>\$ 265,000</u>	<u>\$ 37,376</u>	<u>\$ 29,779</u>	<u>\$332,155</u>

Bonds maturing through 2006 are not subject to redemption prior to maturity. Bonds maturing through 2017 are subject to redemption prior to maturity at the option of the City on any interest payment date on or after September 1, 2006.

1997 LIMITED TAX GENERAL OBLIGATION BONDS

Limited Tax General Obligation Bonds (\$360,000 originally issued and \$100,000 outstanding), dated April 1, 1997, mature annually on October 1, 2010 through October 1, 2012.

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>October 1</u>		<u>April 1</u> <u>Interest</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>		
2011	5.60	\$ 30,000	\$ 2,826	\$ 1,986	\$ 34,812
2012	5.65	35,000	1,986	998	37,984
2013	5.70	35,000	998	-	35,998
		<u>\$ 100,000</u>	<u>\$ 5,810</u>	<u>\$ 2,984</u>	<u>\$108,794</u>

Bonds are not subject to redemption prior to maturity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2009 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND - WATER

Water and Sewage system Junior Lien Revenue Bonds (\$1,139,000 authorized and \$1,128,000 outstanding), dated June 24, 2009, mature annually on September 1, 2010 through September 1, 2048 with an interest rate of 4.375% per annum.

Due Year Ended <u>June 30</u>	September 1		March 1	Total
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2011	\$ 11,000	\$ 24,675	\$ 24,434	\$ 60,109
2012	12,000	24,434	24,172	60,606
2013	12,000	24,172	23,909	60,081
2014	13,000	23,909	23,625	60,534
2015	14,000	23,625	23,319	60,944
2016	14,000	23,319	23,013	60,332
2017	15,000	23,013	22,684	60,697
2018	15,000	22,684	22,356	60,040
2019	16,000	22,356	22,006	60,362
2020	17,000	22,006	21,634	60,640
2021	18,000	21,634	21,241	60,875
2022	18,000	21,241	20,847	60,088
2023	19,000	20,847	20,431	60,278
2024	20,000	20,431	19,994	60,425
2025	21,000	19,994	19,534	60,528
2026	22,000	19,534	19,053	60,587
2027	23,000	19,053	18,550	60,603
2028	24,000	18,550	18,025	60,575
2029	25,000	18,025	17,478	60,503
2030	26,000	17,478	16,909	60,387
2031	27,000	16,909	16,319	60,228
2032	28,000	16,319	15,706	60,025
2033	29,000	15,706	15,072	59,778
2034	31,000	15,072	14,394	60,466
2035	32,000	14,394	13,694	60,088
2036	33,000	13,694	12,972	59,666
2037	35,000	12,972	12,206	60,178
2038	36,000	12,206	11,419	59,625
2039	38,000	11,419	10,588	60,007
2040	40,000	10,588	9,713	60,301
2041	41,000	9,713	8,816	59,529
2042	43,000	8,816	7,875	59,691
2043	45,000	7,875	6,891	59,766
2044	47,000	6,891	5,863	59,754
2045	49,000	5,863	4,791	59,654
2046	51,000	4,791	3,675	59,466
2047	53,000	3,675	2,516	59,191
2048	56,000	2,516	1,291	59,807
2049	59,000	1,291	-	60,291
	<u>\$1,128,000</u>	<u>\$ 621,690</u>	<u>\$ 597,015</u>	<u>\$2,346,705</u>

Principal installments of this bond are subject to prepayment in whole or in part prior to maturity, in inverse chronological order, at the City's option, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2009 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND - SEWER

Water and Sewage system Junior Lien Revenue Bonds (\$2,304,000 authorized and \$2,282,000 outstanding), dated June 24, 2009, mature annually on September 1, 2010 through September 1, 2048 with an interest rate of 4.375% per annum.

Due Year Ended <u>June 30</u>	September 1 <u>Principal</u>	<u>Interest</u>	March 1 <u>Interest</u>	<u>Total</u>
2011	\$ 23,000	\$ 49,919	\$ 49,416	\$ 122,335
2012	24,000	49,416	48,891	122,307
2013	25,000	48,891	48,344	122,235
2014	26,000	48,344	47,775	122,119
2015	27,000	47,775	47,184	121,959
2016	29,000	47,184	46,550	122,734
2017	30,000	46,550	45,894	122,444
2018	31,000	45,894	45,216	122,110
2019	33,000	45,216	44,494	122,710
2020	34,000	44,494	43,750	122,244
2021	35,000	43,750	42,984	121,734
2022	37,000	42,984	42,175	122,159
2023	39,000	42,175	41,322	122,497
2024	40,000	41,322	40,447	121,769
2025	42,000	40,447	39,528	121,975
2026	44,000	39,528	38,566	122,094
2027	46,000	38,566	37,559	122,125
2028	48,000	37,559	36,509	122,068
2029	50,000	36,509	35,416	121,925
2030	52,000	35,416	34,278	121,694
2031	54,000	34,278	33,097	121,375
2032	57,000	33,097	31,850	121,947
2033	59,000	31,850	30,559	121,409
2034	62,000	30,559	29,203	121,762
2035	65,000	29,203	27,781	121,984
2036	67,000	27,781	26,316	121,097
2037	70,000	26,316	24,784	121,100
2038	73,000	24,784	23,188	120,972
2039	77,000	23,188	21,503	121,691
2040	80,000	21,503	19,753	121,256
2041	83,000	19,753	17,938	120,691
2042	87,000	17,938	16,034	120,972
2043	91,000	16,034	14,044	121,078
2044	95,000	14,044	11,966	121,010
2045	99,000	11,966	9,800	120,766
2046	103,000	9,800	7,547	120,347
2047	108,000	7,547	5,184	120,731
2048	113,000	5,184	2,713	120,897
2049	124,000	2,713	-	126,713
	<u>\$2,282,000</u>	<u>\$1,259,477</u>	<u>\$1,209,558</u>	<u>\$4,751,035</u>

Principal installments of this bond are subject to prepayment in whole or in part prior to maturity, in inverse chronological order, at the City's option, at par and accrued interest to the date fixed for prepayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1997 BUILDING AUTHORITY AND BUILDING AUTHORITY REFUNDING BONDS

Limited Tax General Obligation Bonds (\$955,000 originally issued and \$210,000 outstanding), dated September 1, 1997, mature annually on October 1, 2010 through October 1, 2017.

Year Ended June 30	Interest Rate	October 1		April 1	Total
		Principal	Interest	Interest	
2011	5.30	\$ 45,000	\$ 5,711	\$ 4,519	\$ 55,230
2012	5.35	15,000	4,519	4,118	23,637
2013	5.40	15,000	4,118	3,713	22,831
2014	5.50	40,000	3,713	2,612	46,325
2015	5.50	40,000	2,612	1,513	44,125
2016	5.50	15,000	1,513	1,100	17,613
2017	5.50	20,000	1,100	550	21,650
2018	5.50	20,000	550	-	20,550
		<u>\$ 210,000</u>	<u>\$ 23,836</u>	<u>\$ 18,125</u>	<u>\$ 251,961</u>

Bonds or portions of bonds in multiples of \$5,000 of this issue are subject to redemption prior to maturity, at the option of the Authority, in such order of maturity as the Authority shall determine and within any maturity by lot, at par plus accrued interest to the date fixed for redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2005 GENERAL OBLIGATION LIMITED TAX BONDS

Limited Tax General Obligation Bonds (\$2,015,000 originally issued and \$1,850,000 outstanding), dated July 19, 2005, mature annually on November 1, 2010 through November 1, 2034 with an interest rate of 4.125% per annum.

Year Ended <u>June 30</u>	November 1		May 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2011	\$ 40,000	\$ 38,156	\$ 37,331	\$ 115,487
2012	45,000	37,331	36,403	118,734
2013	45,000	36,403	35,475	116,878
2014	50,000	35,475	34,444	119,919
2015	50,000	34,444	33,412	117,856
2016	50,000	33,412	32,381	115,793
2017	55,000	32,381	31,247	118,628
2018	55,000	31,247	30,112	116,359
2019	60,000	30,112	28,875	118,987
2020	60,000	28,875	27,638	116,513
2021	65,000	27,638	26,297	118,935
2022	70,000	26,297	24,853	121,150
2023	70,000	24,853	23,409	118,262
2024	75,000	23,409	21,863	120,272
2025	75,000	21,863	20,316	117,179
2026	80,000	20,316	18,666	118,982
2027	85,000	18,666	16,913	120,579
2028	85,000	16,913	15,159	117,072
2029	90,000	15,159	13,303	118,462
2030	95,000	13,303	11,344	119,647
2031	100,000	11,344	9,281	120,625
2032	105,000	9,281	7,116	121,397
2033	110,000	7,116	4,847	121,963
2034	115,000	4,847	2,475	122,322
2035	<u>120,000</u>	<u>2,475</u>	<u>-</u>	<u>122,475</u>
	<u>\$1,850,000</u>	<u>\$ 581,316</u>	<u>\$ 543,160</u>	<u>\$2,974,476</u>

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, at par plus accrued interest to the date fixed for prepayment.

1996 BUILDING AUTHORITY BONDS

Building Authority Bonds (\$150,000 originally issued and \$30,000 outstanding) dated October 1, 1996, mature annually on October 1, 2010 through October 1, 2011.

Year Ended <u>June 30</u>	Interest <u>Rate</u>	October 1		April 1	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2011	5.75	\$ 15,000	\$ 870	\$ 439	\$ 16,309
2012	5.85	15,000	439	-	15,439
		<u>\$ 30,000</u>	<u>\$ 1,309</u>	<u>\$ 439</u>	<u>\$ 31,748</u>

Bonds are subject to redemption prior to maturity at the option of the Building Authority on any interest payment date at par and accrued interest to the date of redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG - TERM DEBT (CONTINUED)

DOWNTOWN DEVELOPMENT BOND (LIMITED TAX GENERAL OBLIGATION)

Downtown Development Authority Bonds (\$412,989 originally issued and \$249,752 outstanding) dated December 21, 1994, mature annually on May 1, 2011, through May 1, 2014.

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>May 1</u> <u>Interest</u>	<u>Total</u>
2011	6.80	\$ 68,644	\$ 136,356	\$ 205,000
2012	6.85	63,667	141,333	205,000
2013	6.85	60,972	149,028	210,000
2014	6.90	56,469	153,531	210,000
		<u>\$ 249,752</u>	<u>\$ 580,248</u>	<u>\$ 830,000</u>

The Bond is not subject to redemption prior to maturity.

MICHIGAN CDBG ECONOMIC DEVELOPMENT GRANT LOAN

On April 8, 1992 the City of Houghton accepted Michigan CDBG Economic Development Grant MSC 910052-EDIG (\$200,000 received and \$56,309 outstanding as of June 30, 2010) for the Midwest Loan Services, Inc. Commercial Rehabilitation Project. The City must remit two-thirds of the monthly rent payment from Midwest Loan Services, Inc. to the State of Michigan until the entire grant amount, plus 3% annual interest, has been repaid.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1998 LIMITED TAX DEVELOPMENT REFUNDING BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax Development Refunding Bonds (\$975,000 originally issued and \$555,000 outstanding) dated May 1, 1998 mature annually on November 1, 2010 through November 1, 2014.

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>November 1</u>		<u>May 1</u> <u>Interest</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>		
2011	5.00	\$ 100,000	\$ 14,054	\$ 11,553	\$ 125,607
2012	5.00	105,000	11,553	8,929	125,482
2013	5.05	110,000	8,929	6,151	125,080
2014	5.10	115,000	6,151	3,219	124,370
2015	5.15	<u>125,000</u>	<u>3,219</u>	<u>-</u>	<u>128,219</u>
		<u>\$ 555,000</u>	<u>\$ 43,906</u>	<u>\$ 29,852</u>	<u>\$ 628,758</u>

Bonds of this issue are subject to redemption prior to maturity in whole or in part without any premium or penalty, plus accrued interest thereon to the date fixed for redemption.

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1999 LIMITED TAX GENERAL OBLIGATION BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds (\$500,000 originally issued, \$350,000 outstanding) dated October 1, 1999, mature annually on May 1, 2011 through May 1, 2019.

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u> <u>Rate</u>	<u>November 1</u> <u>Interest</u>	<u>May 1</u>		<u>Total</u>
			<u>Principal</u>	<u>Interest</u>	
2011	5.60	\$ 10,338	\$ 25,000	\$ 10,337	\$ 45,675
2012	5.70	9,638	30,000	9,637	49,275
2013	5.80	8,783	30,000	8,782	47,565
2014	5.90	7,913	35,000	7,912	50,825
2015	5.90	6,880	40,000	6,880	53,760
2016	6.00	5,700	40,000	5,700	51,400
2017	6.00	4,500	45,000	4,500	54,000
2018	6.00	3,150	50,000	3,150	56,300
2019	6.00	<u>1,650</u>	<u>55,000</u>	<u>1,650</u>	<u>58,300</u>
		<u>\$ 58,552</u>	<u>\$ 350,000</u>	<u>\$ 58,548</u>	<u>\$ 467,100</u>

Bonds or portions of bonds in multiples of \$5,000 of this issue shall be subject to redemption without a premium, at the option of the Authority, in such order as the Authority shall determine and within any maturity by lot, on any interest payment date at par and accrued interest to the date fixed for redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1999 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE (LIMITED TAX GENERAL OBLIGATION)

Installment note (\$145,000 originally issued and \$49,000 outstanding) dated April 21, 1999, mature annually on March 1, 2011 through March 1, 2014 with interest at 4.75% per annum.

Year Ended	September 1	March 1		
<u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,173	\$ 11,000	\$ 1,154	\$ 13,327
2012	910	12,000	898	13,808
2013	621	13,000	612	14,233
2014	311	13,000	306	13,617
	<u>\$ 3,015</u>	<u>\$ 49,000</u>	<u>\$ 2,970</u>	<u>\$ 54,985</u>

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$164,000 outstanding) matures annually on July 1, 2010 through July 1, 2021 with interest at the rate of 4.25% per annum.

Year Ended	July 1	January 1		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 11,000	\$ 3,485	\$ 3,251	\$ 17,736
2012	11,000	3,251	3,017	17,268
2013	12,000	3,018	2,763	17,781
2014	12,000	2,763	2,508	17,271
2015	13,000	2,508	2,231	17,739
2016	13,000	2,231	1,955	17,186
2017	14,000	1,955	1,657	17,612
2018	14,000	1,657	1,360	17,017
2019	15,000	1,360	1,041	17,401
2020	16,000	1,041	701	17,742
2021	16,000	701	361	17,062
2022	17,000	361	-	17,361
	<u>\$ 164,000</u>	<u>\$ 24,331</u>	<u>\$ 20,845</u>	<u>\$ 209,176</u>

CITY OF HOUGHTON BROWNFIELD REDEVELOPMENT AUTHORITY

TAX INCREMENTAL REVENUE LOAN - FORMER HOUGHTON HIGH SCHOOL PROJECT

City of Houghton Brownfield Redevelopment Authority Tax Incremental Revenue Loan (\$425,000 original proceeds and \$134,541 outstanding principal) dated October 3, 1998, matures annually on October 3, 2010 through October 3, 2012 with interest at the rate of 2.25% per annum. The loan is financed through the Michigan Department of Environmental Quality.

Year Ended	October 3		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 43,853	\$ 3,027	\$ 46,880
2012	44,840	2,040	46,880
2013	45,848	1,032	46,880
	<u>\$ 134,451</u>	<u>\$ 6,099</u>	<u>\$ 140,640</u>

NOTE H - RISK MANAGEMENT

RISKS OF LOSS

The City is exposed to various risks of loss related to property, loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, workers' compensation claims, claims relating to general liability, excess liability, auto liability, truck line liability, errors and omissions and physical damage to equipment, buildings and contents.

The City's building and personal property coverage has a limit of \$9,848,994 (ninety percent coinsurance), with a \$1,000 deductible. Flood and earthquake insurance each has \$50,000 self-insured retention. The limit of insurance for crime is \$5,000 with a \$250 deductible. General liability coverage is limited to \$1,000,000 each occurrence with a \$3,000,000 general aggregate limit. Business auto coverage has a \$1,000,000 limit with a \$1,000 deductible. Commercial umbrella coverage is limited to \$4,000,000.

SHARE OF LOSSES

The City's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The City estimates that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

The City carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE I - PENSION

The City provides pension benefits for all of its full-time employees through a money purchase plan. In a money purchase plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The agreement requires that the City contribute an amount equal to 15.054% of the employee's base salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before the three years of service are used to reduce the City's current period contribution requirement.

The City's total payroll in fiscal year ending June 30, 2010 was \$1,726,298. The City's contributions were calculated using the base salary amount of \$1,092,088. The City made the required contribution of \$164,403.

Plan participants may borrow up to 50% of the amount vested in their plan. Loans must be paid back through payroll check deductions. The length of the loan can vary from one to five years and the interest rate is set by the Pension Board. Interest is currently set at 9.5%. Loans for up to twenty years can be made for the purchase of a new home or to refinance their current home mortgage. The interest rate on these loans is currently set at 7.75%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City of Houghton Retiree Medical Plan is a single-employer plan administered by the City and can be amended at its discretion. The plan provides health care insurance benefits to eligible retirees and their spouses. At June 30, 2010, membership of the plan consisted of 27 active plan members, and 14 retirees and beneficiaries receiving benefits.

FUNDING POLICY

The City has the authority to establish the funding policy for the plan, and to amend the obligations of both the City and members. Active members are not obligated to make contributions to the plan at this time. As of June 30, 2010, the organization has not yet made contributions to the Trust that are in excess of the benefit payments due in the current year. Determination of the annual required contribution using the alternative measurement method and the unfunded actuarial accrued liability amortization is as follows:

Normal cost component	
Normal cost	\$ 17,708
Interest	<u>708</u>
Total normal cost	<u>\$ 18,416</u>
Amortization component	
Actuarial accrued liability	\$497,406
Less - assets	<u>-</u>
Unfunded actuarial accrued liability	\$497,406
Divided by present value factor	<u>26.1695</u>
Amortization payment	\$ 19,007
Interest	<u>760</u>
Total amortization payment	<u>\$ 19,767</u>
Annual required contribution	<u>\$ 38,183</u>

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$38,183
Interest on net OPEB obligation	<u>-</u>
Annual OPEB cost (expense)	\$38,183
Contributions made	<u>7,920</u>
Increase in net OPEB obligation	\$30,263
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$30,263</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 is as follows:

Annual OPEB costs	\$38,183
Percentage contributed	21%
Net OPEB obligation	\$30,263

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2010, the actuarial accrued liability was \$497,406. The plan had no assets set aside in trust, resulting in an unfunded actuarial accrued liability of \$497,406.

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Under certain circumstances, a single employer that operates a plan with less than 100 total members may apply a simplified measurement method in lieu of obtaining an actuarial valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

ALTERNATIVE MEASUREMENT METHOD AND ASSUMPTIONS

In the June 30, 2010 valuation of the annual required contribution, the City used the alternative measurement method in lieu of obtaining an actuarial valuation. This alternate calculation requires the same broad measurement steps as would be necessary in the actuarial process, but allows an organization to utilize a set of predetermined assumptions that simplify the calculations necessary to determine the OPEB liability. Assumptions used in the preparation of the alternate calculation included a discount rate of 4% and post retirement interest rate of 7%.

NOTE K - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits them to defer until future years up to 33 1/3% of annual gross earnings not to exceed \$7,500. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The City neither acts as trustee nor has any management involvement in the plan. The plan does not meet the reporting criteria defined in NCGA Statement 1, paragraph 26 (3) (8), consequently its financial statements are not presented herein.

NOTE L - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). There are no costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The City did not incur expenses associated with 40615 Advertising revenue and, therefore, no expenses are subtracted out as ineligible on OAR Schedule 4E (Urban) or on Schedule 5.

NOTE M - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

COMPLIANCE WITH BOND COVENANTS

Revenue bond ordinances issued by the Water and Sewer Funds require the City to segregate receipts to establish several reserve accounts. Following is a summary of required reserves and funding levels at June 30, 2010.

	<u>June 30,</u>	
	<u>Required</u>	<u>Reserve</u>
	<u>Reserve</u>	<u>Balance</u>
Water Fund:		
Repair, Replacement, and Improvement Account	\$ 53,281	\$ 53,287
Junior Lien Bond Interest Redemption	105,775	118,502
Junior Lien Bond Reserve	247,625	266,372
Water Bond Reserve	<u>29,700</u>	<u>35,439</u>
	<u>\$ 436,381</u>	<u>\$ 473,600</u>
Sewer Fund:		
1996 Sewer Bond Reserve	\$ 40,000	\$ 44,182
Repair, Replacement, and Improvement Account	32,500	32,517
Junior Lien Bond Reserve	<u>15,375</u>	<u>15,383</u>
	<u>\$ 87,875</u>	<u>\$ 92,082</u>
	<u>\$ 524,256</u>	<u>\$ 565,682</u>

PUBLIC ACT 275 OF 1980 DISCLOSURE

The Parking System Fund and the Transit Fund had unrestricted net asset deficiencies of \$149,619 and \$27,787, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,467,300	\$1,467,300	\$1,406,415	(\$ 60,885)
Licenses and permits	6,500	6,500	9,420	2,920
State grants	862,301	862,301	753,244	(109,057)
Interest	45,000	45,000	12,760	(32,240)
Charges for services	724,200	724,200	743,404	19,204
Other revenues	<u>39,500</u>	<u>39,500</u>	<u>66,812</u>	<u>27,312</u>
TOTAL REVENUES	<u>\$3,144,801</u>	<u>\$3,144,801</u>	<u>\$2,992,055</u>	<u>(\$ 152,746)</u>
Expenditures:				
General government administration	\$ 688,323	\$ 688,323	\$ 714,477	(\$ 26,154)
Public safety	932,520	932,520	933,895	(1,375)
Public works	511,170	511,170	566,475	(55,305)
Recreation and parks	302,150	302,150	318,396	(16,246)
Debt service	82,500	82,500	137,465	(54,965)
Other expenditures	<u>208,729</u>	<u>208,729</u>	<u>71,125</u>	<u>137,604</u>
TOTAL EXPENDITURES	<u>\$2,725,392</u>	<u>\$2,725,392</u>	<u>\$2,741,833</u>	<u>(\$ 16,441)</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 419,409</u>	<u>\$ 419,409</u>	<u>\$ 250,222</u>	<u>(\$ 169,187)</u>
Other financing sources(uses):				
Operating transfers in	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Operating transfers out	<u>(425,109)</u>	<u>(425,109)</u>	<u>(413,461)</u>	<u>11,648</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 419,409)</u>	<u>(\$ 419,409)</u>	<u>(\$ 407,761)</u>	<u>\$ 11,648</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 157,539)</u>	<u>(\$ 157,539)</u>
Fund balance, beginning of year	<u>914,072</u>	<u>914,072</u>	<u>914,072</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 914,072</u>	<u>\$ 914,072</u>	<u>\$ 756,533</u>	<u>(\$ 157,539)</u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	425,000	425,000	331,000	(94,000)
Interest and rents	<u>2,000</u>	<u>2,000</u>	<u>3,785</u>	<u>1,785</u>
TOTAL REVENUES	<u>\$ 427,000</u>	<u>\$ 427,000</u>	<u>\$ 334,795</u>	<u>(\$ 92,215)</u>
Expenditures:				
General government administration	\$ 32,030	\$ 32,030	\$ 40,855	(\$ 8,825)
Public works:				
Street preservation	-	-	3,323	(3,323)
Routine maintenance	48,130	48,130	28,394	19,736
Traffic services	12,385	12,385	20,234	(7,849)
Snow and ice control	290,200	290,200	208,726	81,474
Roadway inspections	<u>30,630</u>	<u>30,630</u>	<u>32,168</u>	<u>(1,538)</u>
TOTAL EXPENDITURES	<u>\$ 413,375</u>	<u>\$ 413,375</u>	<u>\$ 333,700</u>	<u>\$ 79,675</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>\$ 13,625</u>	<u>\$ 13,625</u>	<u>\$ 1,085</u>	<u>(\$ 12,540)</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ 82,580</u>	<u>\$ 82,580</u>	<u>(\$ 2,500)</u>	<u>(\$ 85,080)</u>
Other financing sources (uses) - Operating transfers out	<u>(\$ 30,000)</u>	<u>(\$ 30,000)</u>	<u>(\$ 30,000)</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 66,205</u>	<u>\$ 66,205</u>	<u>(\$ 31,415)</u>	<u>(\$ 97,620)</u>
Fund balance, beginning	<u>117,114</u>	<u>117,114</u>	<u>117,114</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 183,319</u></u>	<u><u>\$ 183,319</u></u>	<u><u>\$ 85,699</u></u>	<u><u>(\$ 97,620)</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 115,000	\$ 115,000	\$ 124,164	\$ 9,164
State grants	217,000	217,000	198,237	(18,763)
Interest and rents	2,000	2,000	46	(1,954)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 334,000</u>	<u>\$ 334,000</u>	<u>\$ 322,447</u>	<u>(\$ 11,553)</u>
Expenditures:				
General government administration	\$ 28,380	\$ 28,380	\$ 30,525	(\$ 2,145)
Public works:				
Street preservation	-	-	1,618	(1,618)
Routine maintenance	69,000	69,000	47,031	21,969
Traffic services	17,140	17,140	18,535	(1,395)
Snow and ice removal	<u>249,480</u>	<u>249,480</u>	<u>217,704</u>	<u>31,776</u>
TOTAL EXPENDITURES	<u>\$ 364,000</u>	<u>\$ 364,000</u>	<u>\$ 315,413</u>	<u>\$ 48,587</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 30,000)</u>	<u>(\$ 30,000)</u>	<u>\$ 7,034</u>	<u>\$ 37,034</u>
Other financing sources (uses) -				
Operating transfers in	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,034</u>	<u>\$ 37,034</u>
Fund balance, beginning of year	<u>303</u>	<u>303</u>	<u>303</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 303</u></u>	<u><u>\$ 303</u></u>	<u><u>\$ 37,337</u></u>	<u><u>\$ 37,034</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ -	\$ -	\$ 6,160	\$ 6,160
Other revenue -				
Loan repayments	<u>67,385</u>	<u>67,385</u>	<u>55,723</u>	(<u>11,662</u>)
TOTAL REVENUES	<u>\$ 67,385</u>	<u>\$ 67,385</u>	<u>\$ 61,883</u>	(\$ <u>5,502</u>)
Expenditures:				
General government administration	\$ -	\$ -	\$ 837	(\$ 837)
Loans and contingencies	<u>-</u>	<u>-</u>	<u>15,800</u>	(<u>15,800</u>)
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,637</u>	(\$ <u>16,637</u>)
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 67,385</u>	<u>\$ 67,385</u>	<u>\$ 45,246</u>	(\$ <u>22,139</u>)
Fund balance, beginning of year	<u>139,712</u>	<u>139,712</u>	<u>139,712</u>	-
FUND BALANCE, END OF YEAR	<u><u>\$207,097</u></u>	<u><u>\$207,097</u></u>	<u><u>\$184,958</u></u>	(\$ <u><u>22,139</u></u>)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2010

BUDGETARY INFORMATION

A draft of the budget is prepared by the City Manager. The budget is then finalized during a series of budget work sessions with the City Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in June before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2010, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General	\$ 3,150,501	\$ 3,155,294
Revolving	-	16,637

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

		June 30,	
		2010	2009
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 503,590	\$ 454,102	
Accounts receivable	44,198	47,196	
Prepaid expenses	-	681	
Inventory	5,554	5,554	
Taxes receivable	93,691	7,769	
Due from other governmental units	108,422	111,588	
Due from other funds	64,076	234,145	
Due from component units	29,442	30,000	
TOTAL CURRENT ASSETS	\$ 848,973	\$ 891,035	
<u>OTHER ASSETS</u>			
Long-term loan	\$ 21,809	\$ 37,258	
Investments	81,045	180,243	
TOTAL OTHER ASSETS	\$ 102,854	\$ 217,501	
	<u>\$ 951,827</u>	<u>\$1,108,536</u>	
<u>LIABILITIES AND FUND BALANCE</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 43,976	\$ 42,133	
Accrued wages and benefits	38,399	34,258	
Due to other funds	2,084	57,662	
Due to component units	15,383	15,383	
TOTAL CURRENT LIABILITIES	\$ 99,842	\$ 149,436	
<u>OTHER LIABILITIES</u>			
Deferred revenues	95,452	45,028	
TOTAL LIABILITIES	\$ 195,294	\$ 194,464	
<u>FUND BALANCE</u>			
Unreserved	\$ 750,979	\$ 908,518	
Reserved	5,554	5,554	
TOTAL FUND BALANCE	\$ 756,533	\$ 914,072	
	<u>\$ 951,827</u>	<u>\$1,108,536</u>	

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

Year ended June 30, 2010

With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>		<u>2009</u>	
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$1,467,300	\$1,406,415	(\$ 60,885)	\$1,258,063
Licenses and permits	6,500	9,420	2,920	5,715
State grants	862,301	753,244	(109,057)	862,325
Interest	45,000	12,760	(32,240)	33,257
Charges for services	724,200	743,404	19,204	742,697
Other revenues	<u>39,500</u>	<u>66,812</u>	<u>27,312</u>	<u>58,314</u>
TOTAL REVENUES	<u>\$3,144,801</u>	<u>\$2,992,055</u>	<u>(\$ 152,746)</u>	<u>\$2,960,371</u>
Expenditures:				
General government administration	\$ 688,323	\$ 714,477	(\$ 26,154)	\$ 690,889
Public safety	932,520	933,895	(1,375)	933,221
Public works	511,170	566,475	(55,305)	498,004
Recreation and parks	302,150	318,396	(16,246)	318,659
Debt service	82,500	137,465	(54,965)	109,966
Other expenditures	<u>208,729</u>	<u>71,125</u>	<u>137,604</u>	<u>64,988</u>
TOTAL EXPENDITURES	<u>\$2,725,392</u>	<u>\$2,741,833</u>	<u>(\$ 16,441)</u>	<u>\$2,615,727</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 419,409</u>	<u>\$ 250,222</u>	<u>(\$ 169,187)</u>	<u>\$ 344,644</u>
Other financing sources (uses):				
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ 109,000
Operating transfers in	5,700	5,700	-	5,700
Operating transfers out	<u>(425,109)</u>	<u>(413,461)</u>	<u>11,648</u>	<u>(353,770)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 419,409)</u>	<u>(\$ 407,761)</u>	<u>\$ 11,648</u>	<u>(\$ 239,070)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>(\$ 157,539)</u>	<u>(\$ 157,539)</u>	<u>\$ 105,574</u>
Fund balance, beginning of year	<u>914,072</u>	<u>914,072</u>	<u>-</u>	<u>808,498</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 914,072</u></u>	<u><u>\$ 756,533</u></u>	<u><u>(\$ 157,539)</u></u>	<u><u>\$ 914,072</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2010
With Totals for June 30, 2009

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2010</u>	<u>2009</u>			
<u>ASSETS</u>					
Cash	\$342,866	\$224,285	\$ 89,577	\$129,694	\$ 123,595
Due from other governmental units	82,372	76,885	49,630	32,742	-
Due from other funds	65,959	62,631	4,596	-	61,363
Long-term loans	<u>357,512</u>	<u>393,525</u>	<u>-</u>	<u>-</u>	<u>357,512</u>
	<u>\$848,709</u>	<u>\$757,326</u>	<u>\$143,803</u>	<u>\$162,436</u>	<u>\$ 542,470</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 3,303	\$ 9,532	\$ 2,251	\$ 1,052	\$ -
Accrued wages and benefits	6,270	5,456	4,217	2,053	-
Due to other funds	173,630	91,684	51,636	121,994	-
Deferred revenue	<u>357,512</u>	<u>393,525</u>	<u>-</u>	<u>-</u>	<u>357,512</u>
TOTAL LIABILITIES	\$540,715	\$500,197	\$ 58,104	\$125,099	\$ 357,512
<u>FUND BALANCE (DEFICIT)</u>	<u>307,994</u>	<u>257,129</u>	<u>85,699</u>	<u>37,337</u>	<u>184,958</u>
	<u>\$848,709</u>	<u>\$757,326</u>	<u>\$143,803</u>	<u>\$162,436</u>	<u>\$ 542,470</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

June 30, 2010

With Totals for June 30, 2009

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>Major</u> <u>Street</u> <u>Fund</u>	<u>Local</u> <u>Street</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>
	<u>2010</u>	<u>2009</u>			
Revenues:					
Taxes	\$ 124,164	\$ 121,070	\$ -	\$124,164	\$ -
Federal grants	-	124,493	-	-	-
State grants	821,986	967,306	623,749	198,237	-
Interest and rents	9,991	9,788	3,785	46	6,160
Other revenue	<u>55,723</u>	<u>70,115</u>	<u>-</u>	<u>-</u>	<u>55,723</u>
TOTAL REVENUES	<u>\$1,011,864</u>	<u>\$1,292,772</u>	<u>\$627,534</u>	<u>\$322,447</u>	<u>\$ 61,883</u>
Expenditures:					
General government administration	\$ 72,217	\$ 60,647	\$ 40,855	\$ 30,525	\$ 837
Public works	872,982	1,183,536	588,094	284,888	-
Loans and contingencies	<u>15,800</u>	<u>16,200</u>	<u>-</u>	<u>-</u>	<u>15,800</u>
TOTAL EXPENDITURES	<u>\$ 960,999</u>	<u>\$1,260,383</u>	<u>\$628,949</u>	<u>\$315,413</u>	<u>\$ 16,637</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 50,865</u>	<u>\$ 32,389</u>	<u>(\$ 1,415)</u>	<u>\$ 7,034</u>	<u>\$ 45,246</u>
Other financing sources (uses):					
Operating transfers from other funds	\$ 30,000	\$ 60,500	\$ -	\$ 30,000	\$ -
Operating transfers to other funds	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ 30,500</u>	<u>(\$ 30,000)</u>	<u>\$ 30,000</u>	<u>\$ -</u>
	\$ 50,865	\$ 62,889	(\$ 31,415)	\$ 37,034	\$ 45,246
Fund balance, beginning of year	<u>257,129</u>	<u>194,240</u>	<u>117,114</u>	<u>303</u>	<u>139,712</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 307,994</u></u>	<u><u>\$ 257,129</u></u>	<u><u>\$ 85,699</u></u>	<u><u>\$ 37,337</u></u>	<u><u>\$ 184,958</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 89,577	\$ 83,447
Due from other governmental units	49,630	50,761
Due from other funds	4,596	-
	<u>\$143,803</u>	<u>\$134,208</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 2,251	\$ 7,147
Accrued wages and benefits	4,217	1,626
Due to other funds	51,636	8,321
	<u>\$ 58,104</u>	<u>\$ 17,094</u>
	TOTAL LIABILITIES	
<u>FUND BALANCE</u>	<u>85,699</u>	<u>117,114</u>
	<u>\$143,803</u>	<u>\$134,208</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended June 30, 2010
With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>		<u>2009</u>	
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$124,493
State grants	425,000	331,000	(94,000)	385,511
Interest and rents	<u>2,000</u>	<u>3,785</u>	<u>1,785</u>	<u>934</u>
TOTAL REVENUES	<u>\$427,000</u>	<u>\$334,785</u>	<u>(\$ 92,215)</u>	<u>\$510,938</u>
Expenditures:				
General government administration	\$ 32,030	\$ 40,855	(\$ 8,825)	\$ 26,739
Public works:				
Street preservation	-	3,323	(3,323)	158,671
Routine maintenance	48,130	28,394	19,736	29,901
Traffic services	12,385	20,234	(7,849)	19,907
Snow and ice control	290,200	208,726	81,474	225,726
Roadway inspection	<u>30,630</u>	<u>32,168</u>	<u>(1,538)</u>	<u>31,680</u>
TOTAL EXPENDITURES	<u>\$413,375</u>	<u>\$333,700</u>	<u>\$ 79,675</u>	<u>\$492,624</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	<u>\$ 13,625</u>	<u>\$ 1,085</u>	<u>(\$ 12,540)</u>	<u>\$ 18,314</u>
State trunkline maintenance -				
Excess of revenues(expenditures)	<u>\$ 82,580</u>	<u>(\$ 2,500)</u>	<u>(\$ 85,080)</u>	<u>\$ 15,167</u>
Other financing sources (uses)-				
Operating transfers out	<u>(\$ 30,000)</u>	<u>(\$ 30,000)</u>	<u>\$ -</u>	<u>(\$ 30,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 66,205	(\$ 31,415)	(\$ 97,620)	\$ 3,481
Fund balance, beginning of year	<u>117,114</u>	<u>117,114</u>	<u>-</u>	<u>113,633</u>
FUND BALANCE, END OF YEAR	<u><u>\$183,319</u></u>	<u><u>\$ 85,699</u></u>	<u><u>(\$ 97,620)</u></u>	<u><u>\$117,114</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BALANCE SHEETS

		<u>June 30,</u>	
		<u>2010</u>	<u>2009</u>
<u>ASSETS</u>			
Cash		\$129,694	\$ 62,489
Due from other funds		-	1,268
Due from other governmental units		<u>32,742</u>	<u>26,124</u>
		<u>\$162,436</u>	<u>\$ 89,881</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable		\$ 1,052	\$ 2,385
Accrued wages and benefits		2,053	3,830
Due to other funds		<u>121,994</u>	<u>83,363</u>
	TOTAL LIABILITIES	\$125,099	\$ 89,578
<u>FUND BALANCE</u>		<u>37,337</u>	<u>303</u>
		<u>\$162,436</u>	<u>\$ 89,881</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

Year ended June 30, 2010

With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$115,000	\$124,164	\$ 9,164	\$121,070
State grants	217,000	198,237	(18,763)	195,259
Interest and rents	2,000	46	(1,954)	350
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>313</u>
TOTAL REVENUES	<u>\$334,000</u>	<u>\$322,447</u>	(\$ 11,553)	<u>\$316,992</u>
Expenditures:				
General government administration	\$ 28,380	\$ 30,525	(\$ 2,145)	\$ 32,765
Public works:				
Street preservation	-	1,618	(1,618)	2,555
Routine maintenance	69,000	47,031	21,969	46,407
Traffic services	17,140	18,535	(1,395)	27,470
Snow and ice control	<u>249,480</u>	<u>217,704</u>	<u>31,776</u>	<u>269,850</u>
TOTAL EXPENDITURES	<u>\$364,000</u>	<u>\$315,413</u>	\$ 48,587	<u>\$379,047</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 30,000)	\$ 7,034	\$ 37,034	(\$ 62,055)
Other financing sources(uses) -				
Operating transfers in	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 60,500</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 37,034	\$ 37,034	(\$ 1,555)
Fund balance, beginning of year	<u>303</u>	<u>303</u>	<u>-</u>	<u>1,858</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 303</u></u>	<u><u>\$ 37,337</u></u>	<u><u>\$ 37,034</u></u>	<u><u>\$ 303</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 123,595	\$ 78,349
Due from other funds	61,363	61,363
Long-term loans	<u>357,512</u>	<u>393,525</u>
	<u>\$ 542,470</u>	<u>\$ 533,237</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 357,512	\$ 393,525
<u>FUND BALANCE</u>	<u>184,958</u>	<u>139,712</u>
	<u>\$ 542,470</u>	<u>\$ 533,237</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended June 30, 2010
With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Interest and rents	\$ -	\$ 6,160	\$ 6,160	\$ 8,504
Other revenue -				
Loan repayments	<u>67,385</u>	<u>55,723</u>	<u>(11,662)</u>	<u>69,802</u>
TOTAL REVENUES	<u>\$ 67,385</u>	<u>\$ 61,883</u>	<u>(\$ 5,502)</u>	<u>\$ 78,306</u>
Expenditures:				
General government administration	\$ -	\$ 837	(\$ 837)	\$ 1,143
Loans and contingencies	<u>-</u>	<u>15,800</u>	<u>(15,800)</u>	<u>16,200</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 16,637</u>	<u>(\$ 16,637)</u>	<u>\$ 17,343</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 67,385	\$ 45,246	(\$ 22,139)	\$ 60,963
Fund Balance, beginning of year	<u>139,712</u>	<u>139,712</u>	<u>-</u>	<u>78,749</u>
FUND BALANCE, END OF YEAR	<u><u>\$207,097</u></u>	<u><u>\$184,958</u></u>	<u><u>(\$ 22,139)</u></u>	<u><u>\$139,712</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 6,996	\$ 104,553
Grants receivable	97,193	164,580
Accounts receivable	-	6,149
Due from other funds	<u>46,878</u>	<u>49,794</u>
	<u>\$ 151,067</u>	<u>\$ 325,076</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 10,024
Due to other funds	72,270	229,918
Due to component units	78,769	78,769
Deferred revenue	<u>-</u>	<u>6,135</u>
TOTAL LIABILITIES	\$ 151,039	\$ 324,846
<u>FUND BALANCE</u>	<u>28</u>	<u>230</u>
	<u>\$ 151,067</u>	<u>\$ 325,076</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
ANALYSES OF CHANGES IN FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Fund balance, July 1	\$ 230	\$ 1,110
Revenues for Capital Outlay:		
Grants	699,825	1,090,584
VSCI Private Contributions	3,869	338,055
2007 Facade Private Contributions	146	10,065
Miscellaneous	<u>-</u>	<u>2,971</u>
TOTAL AVAILABLE FOR CAPITAL OUTLAY	\$ <u>704,070</u>	\$ <u>1,442,785</u>
Expenditures for Capital Outlay:		
Vibrant Small Cities Initiative	\$ 693,427	\$ 829,552
2007 Facade	-	27,050
Townsend Drive Lighting	83,980	8,386
Nara Nature Park Restroom Facility	-	66,902
Powerhouse	12,081	46,819
G.S. Engineering Project	5,058	150,777
UPPCO Building	-	475,000
Nara Nature Park Phase III	-	6,798
Huron Creek Restoration	1,856	-
Woodhaven Park and Pond	-	4,000
East Houghton Green Space Property	150	-
Walkway Removal	-	7,517
Park Improvement	53,064	-
General Administration	<u>4,426</u>	<u>332</u>
TOTAL EXPENDITURES	\$ <u>854,042</u>	\$ <u>1,623,133</u>
	(\$ 149,972)	(\$ 180,348)
Other financing sources (uses) -		
Operating transfers from other funds	<u>150,000</u>	<u>180,578</u>
FUND BALANCE, JUNE 30	\$ <u><u>28</u></u>	\$ <u><u>230</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2010
With Totals for June 30, 2009

	Totals (Memorandum Only)		1997 Building Authority Bonds	2005 Limited Tax General Obligation Bonds
	<u>2010</u>	<u>2009</u>		
<u>ASSETS</u>				
Cash	\$ <u>188</u>	\$ <u>215</u>	\$ <u>130</u>	\$ <u>58</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>188</u>	<u>215</u>	<u>130</u>	<u>58</u>
	<u>\$ 188</u>	<u>\$ 215</u>	<u>\$ 130</u>	<u>\$ 58</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY
Year ended June 30, 2010
With Totals for June 30, 2009

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>1997</u> <u>Building</u> <u>Authority</u> <u>Bonds</u>	<u>2005</u> <u>Limited Tax</u> <u>General</u> <u>Obligation</u> <u>Bonds</u>
	<u>2010</u>	<u>2009</u>		
Revenues:				
Contributions from other funds	\$139,611	\$ 132,207	\$ 22,473	\$ 117,138
Contributions from component units	<u>55,640</u>	<u>58,227</u>	<u>55,640</u>	<u>-</u>
TOTAL REVENUES	<u>\$195,251</u>	<u>\$ 190,434</u>	<u>\$ 78,113</u>	<u>\$ 117,138</u>
Expenditures:				
General government administration	\$ 42	\$ -	\$ -	\$ 42
Redemption of serial bonds	105,000	100,000	65,000	40,000
Interest on bonds	<u>90,236</u>	<u>95,134</u>	<u>13,098</u>	<u>77,138</u>
TOTAL EXPENDITURES	<u>\$195,278</u>	<u>\$ 195,134</u>	<u>\$ 78,098</u>	<u>\$ 117,180</u>
EXCESS OF REVENUES (EXPENDITURES) (\$	27)	(\$ 4,700)	\$ 15	(\$ 42)
Fund equity, beginning of year	<u>215</u>	<u>4,915</u>	<u>115</u>	<u>100</u>
FUND EQUITY, END OF YEAR	<u><u>\$ 188</u></u>	<u><u>\$ 215</u></u>	<u><u>\$ 130</u></u>	<u><u>\$ 58</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
STATEMENTS OF NET ASSETS

		June 30,	
		2010	2009
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 82,129	\$ 31,812
Accounts receivable		95,424	108,610
Due from other funds		9,199	-
Bond proceeds receivable		<u>275,000</u>	<u>1,094,000</u>
TOTAL CURRENT ASSETS		<u>\$ 461,752</u>	<u>\$1,234,422</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Water distribution system		\$9,501,570	\$9,489,075
Less accumulated depreciation		4,221,965	4,035,249
Construction in progress		<u>878,031</u>	<u>68,762</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT		<u>\$6,157,636</u>	<u>\$5,522,588</u>
<u>OTHER ASSETS</u>			
Restricted assets:			
Water Bond Reserve Account:			
Cash		\$ 3,447	\$ 2,114
Investments		31,992	31,868
Junior Lien Bond Reserve Account:			
Cash		7,112	14,772
Investments		256,256	254,357
2009 Water/Sewer Construction:			
Bond and Interest Redemption Account		3,004	-
Junior Lien Bond Reserve Account		4	100
Repair, Replacement and Improvement Account		53,287	10,659
Junior Lien Bond and Interest Redemption Account		118,188	99,421
1978 Water/Sewer Revenue Bonds - Debt Service Account		28	28
1980 Water/Sewer Revenue Bonds - Debt Service Account		194	194
1995 Water Project - Debt Service Account		84	119
1996 Water Completion - Debt Service Account		<u>4</u>	<u>39</u>
TOTAL OTHER ASSETS		<u>\$ 473,600</u>	<u>\$ 413,671</u>
		<u>\$7,092,988</u>	<u>\$7,170,681</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 3,808	\$ 51,253
Accrued wages and benefits		3,691	6,726
Accrued interest expense		74,378	63,218
Due to other funds		97,502	9,982
Current maturities on long-term debt		<u>91,000</u>	<u>90,000</u>
TOTAL CURRENT LIABILITIES		<u>\$ 270,379</u>	<u>\$ 221,179</u>
<u>LONG-TERM DEBT</u>			
Bonds payable		\$5,293,000	\$5,383,000
Less current maturities		<u>91,000</u>	<u>90,000</u>
TOTAL LONG-TERM DEBT		<u>\$5,202,000</u>	<u>\$5,293,000</u>
TOTAL LIABILITIES		<u>\$5,472,379</u>	<u>\$5,514,179</u>
<u>NET ASSETS</u>			
Invested in capital assets - net of related debt		\$1,139,636	\$1,233,588
Restricted for debt service		410,952	350,453
Unrestricted		<u>70,021</u>	<u>72,461</u>
TOTAL NET ASSETS		<u>\$1,620,609</u>	<u>\$1,656,502</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Water sales	\$ 926,472	\$ 897,653
Repairs and new customer installations	17,049	7,195
Other revenue	<u>52,336</u>	<u>20,385</u>
TOTAL OPERATING REVENUES	\$ <u>995,857</u>	\$ <u>925,233</u>
Operating expenses:		
Source of water	\$ 276,416	\$ 273,807
Meter expenses	15,048	13,486
Customer installations	2,213	1,814
Maintenance of the water supply system, hydrants, and structure	252,629	234,203
Laboratory and office expense	41,945	50,500
Meter reading	21,051	23,009
Engineering and supervision	32,292	32,242
Other	<u>3,859</u>	<u>3,537</u>
	\$ 645,453	\$ 632,598
Depreciation expense	<u>186,716</u>	<u>185,323</u>
TOTAL OPERATING EXPENSES	\$ <u>832,169</u>	\$ <u>817,921</u>
NET OPERATING INCOME (LOSS)	\$ <u>163,688</u>	\$ <u>107,312</u>
Non-operating revenues - Interest	\$ <u>15,033</u>	\$ <u>22,036</u>
Non-operating expenses - Interest	\$ <u>214,614</u>	\$ <u>192,929</u>
CHANGES IN NET ASSETS	(\$ 35,893)	(\$ 63,581)
Net assets, beginning of year	<u>1,656,502</u>	<u>1,720,083</u>
Net assets, end of year	<u><u>\$1,620,609</u></u>	<u><u>\$1,656,502</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$1,009,043	\$ 908,021
Payments to suppliers	(472,648)	(393,659)
Payments to employees	(223,285)	(212,536)
Net cash provided (used) by operating activities	<u>\$ 313,110</u>	<u>\$ 301,826</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	(\$ 9,199)	\$ -
Increase (decrease) in due to other funds and component units	<u>87,520</u>	(943)
Net cash flows from noncapital financing activities	<u>\$ 78,321</u>	<u>(\$ 943)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 12,495)	(\$ 61,688)
(Increase) decrease in construction in progress	(809,269)	(68,762)
(Increase) decrease in bonds receivable	819,000	(1,094,000)
Issuance (reduction) of long-term debt	(90,000)	1,067,000
(Increase) decrease in restricted assets	(59,930)	9,869
Interest paid on long-term debt	(203,453)	(193,945)
Net cash provided (used) by capital and related financing activities	<u>(\$ 356,147)</u>	<u>(\$ 341,526)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 15,033</u>	<u>\$ 22,036</u>
Net increase (decrease) in cash and cash equivalents	\$ 50,317	(\$ 18,607)
Cash - beginning of year	<u>31,812</u>	<u>50,419</u>
Cash - end of year	<u><u>\$ 82,129</u></u>	<u><u>\$ 31,812</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 163,688	\$ 107,312
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	186,716	185,323
Changes in assets and liabilities:		
Receivables	13,186	(17,212)
Accounts and other payables	(47,445)	26,412
Accrued expenses	(3,035)	(9)
Net cash provided by operating activities	<u><u>\$ 313,110</u></u>	<u><u>\$ 301,826</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF NET ASSETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 591,030	\$ 747,659
Accounts receivable	181,916	206,164
Bond proceeds receivable	628,000	2,049,000
Due from other governmental units	54,741	-
Due from other funds	<u>68,716</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>\$1,524,403</u>	<u>\$3,002,823</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Underground sewage collection system	\$5,550,714	\$5,527,463
Less accumulated depreciation	3,764,042	3,664,376
Construction in progress	<u>1,707,660</u>	<u>296,180</u>
	\$3,494,332	\$2,159,267
Original investment in Portage Lake Water and Sewer Authority	<u>941,313</u>	<u>941,313</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$4,435,645</u>	<u>\$3,100,580</u>
<u>OTHER ASSETS</u>		
Restricted cash:		
1996 Sewer Bond Reserve Account	\$ 43,906	\$ 41,674
1996 Sewer Disposal Bonds Debt Service Account	100	100
1997 Limited General Obligation Bond Debt Service Account	172	172
2009 Water/Sewer Construction:		
Junior Lien Bond Reserve Account	15,387	3,176
Repair, Replacement and Improvement Account	<u>32,517</u>	<u>6,502</u>
TOTAL OTHER ASSETS	<u>\$ 92,082</u>	<u>\$ 51,624</u>
	<u>\$6,052,130</u>	<u>\$6,155,027</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 3,146	\$ 32,237
Accrued interest expense	39,756	7,645
Accrued wages and benefits	7,369	9,362
Due to other funds	9,485	19,601
Due to other governmental units	-	5,174
Current maturities on long-term debt	<u>78,000</u>	<u>72,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 137,756</u>	<u>\$ 146,019</u>
<u>LONG-TERM DEBT</u>		
Bonds payable	\$2,647,000	\$2,719,000
Less current maturities	<u>78,000</u>	<u>72,000</u>
TOTAL LONG-TERM DEBT	<u>\$2,569,000</u>	<u>\$2,647,000</u>
TOTAL LIABILITIES	<u>\$2,706,756</u>	<u>\$2,793,019</u>
<u>NET ASSETS</u>		
Invested in net assets - net of related debt	\$2,416,645	\$2,430,580
Restricted for debt service	52,326	43,979
Unrestricted	<u>876,403</u>	<u>887,449</u>
TOTAL NET ASSETS	<u>\$3,345,374</u>	<u>\$3,362,008</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Sewer charges	\$1,785,060	\$1,758,813
Repairs and new customer installations	1,500	2,300
Other revenue	<u>14,345</u>	<u>13,721</u>
TOTAL OPERATING REVENUES	<u>\$1,800,905</u>	<u>\$1,774,834</u>
Operating expenses:		
Customer installations	\$ 367	\$ 130
Maintenance of the sewage disposal system and structure	242,297	241,691
Laboratory and office expense	54,753	50,648
Engineering and supervision	26,578	27,925
City share of Portage Lake Water and Sewer Authority expense	1,317,063	1,340,329
Other	<u>3,859</u>	<u>-</u>
	\$1,644,917	\$1,660,723
Depreciation expense	<u>99,666</u>	<u>103,636</u>
TOTAL OPERATING EXPENSES	<u>\$1,744,583</u>	<u>\$1,764,359</u>
NET OPERATING INCOME (LOSS)	<u>\$ 56,322</u>	<u>\$ 10,475</u>
Non-operating revenues - Interest	<u>\$ 8,680</u>	<u>\$ 15,412</u>
Non-operating expenses - Interest	<u>\$ 81,636</u>	<u>\$ 24,527</u>
CHANGES IN NET ASSETS	(\$ 16,634)	\$ 1,360
Net assets, beginning of year	<u>3,362,008</u>	<u>3,360,648</u>
Net assets, end of year	<u><u>\$3,345,374</u></u>	<u><u>\$3,362,008</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$1,825,153	\$1,758,263
Payments to suppliers	(1,570,137)	(1,476,734)
Payments to employees	(165,779)	(153,475)
Net cash provided (used) by operating activities	<u>\$ 89,237</u>	<u>\$ 128,054</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	(\$ 68,716)	\$ 11,722
Increase (decrease) in due to other funds and component units	(10,116)	15,169
Net cash flows from noncapital financing activities	<u>(\$ 78,832)</u>	<u>\$ 26,891</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(\$ 23,251)	(\$ 5,281)
(Increase) decrease in construction in progress	(1,411,480)	(296,180)
(Increase) decrease in bonds receivable	1,421,000	(2,049,000)
Issuance (reduction) of long-term debt	(72,000)	2,254,000
(Increase) decrease in restricted assets	(40,458)	(8,057)
Interest paid on long-term debt	(49,525)	(24,870)
Net cash provided (used) by capital and related financing activities	<u>(\$ 175,714)</u>	<u>(\$ 129,388)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 8,680</u>	<u>\$ 15,412</u>
Increase (decrease) in cash and cash equivalents	(\$ 156,629)	\$ 40,969
Cash - beginning of year	<u>747,659</u>	<u>706,690</u>
Cash - end of year	<u><u>\$ 591,030</u></u>	<u><u>\$ 747,659</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 56,322	\$ 10,475
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	99,666	103,636
Changes in assets and liabilities:		
Receivables	24,248	(16,571)
Accounts and other payables	(29,091)	23,999
Accrued expenses	(1,993)	6,448
Due from other governmental units	(54,741)	-
Due to other governmental units	(5,174)	67
Net cash provided by operating activities	<u><u>\$ 89,237</u></u>	<u><u>\$ 128,054</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF NET ASSETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 114,753	\$ 56,876
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$4,418,758	\$4,418,758
Construction in progress	9,104	-
Less accumulated depreciation	<u>2,733,216</u>	<u>2,624,672</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$1,694,646</u>	<u>\$1,794,086</u>
	<u>\$1,809,399</u>	<u>\$1,850,962</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 263	\$ 4,646
Accrued wages and benefits	2,258	3,521
Due to other funds	<u>261,851</u>	<u>283,761</u>
TOTAL CURRENT LIABILITIES	<u>\$ 264,372</u>	<u>\$ 291,928</u>
<u>NET ASSETS</u>		
Invested in capital assets - net of related debt	\$1,694,646	\$1,794,086
Unrestricted	(<u>149,619</u>)	(<u>235,052</u>)
TOTAL NET ASSETS	<u>\$1,545,027</u>	<u>\$1,559,034</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Parking fees - Meters	\$ 675	\$ 7,508
Parking space permits	77,671	65,476
Parking easement	55,000	-
Parking fines	40,117	70,069
Towing fees	<u>4,550</u>	<u>13,833</u>
TOTAL OPERATING REVENUES	<u>\$ 178,013</u>	<u>\$ 156,886</u>
Operating expenses:		
Parking system maintenance	\$ 50,096	\$ 49,360
Parking law enforcement	22,211	55,942
Winter maintenance	38,172	48,272
Insurance	2,216	2,233
Miscellaneous	<u>800</u>	<u>800</u>
	\$ 113,495	\$ 156,607
Depreciation expense	<u>108,544</u>	<u>108,544</u>
TOTAL OPERATING EXPENSES	<u>\$ 222,039</u>	<u>\$ 265,151</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 44,026)</u>	<u>(\$ 108,265)</u>
Non-operating revenues - Interest	<u>\$ 19</u>	<u>\$ 9</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(\$ 44,007)</u>	<u>(\$ 108,256)</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 30,000	\$ 30,000
Operating transfers from component unit	<u>-</u>	<u>25,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 30,000</u>	<u>\$ 55,000</u>
CHANGES IN NET ASSETS	<u>(\$ 14,007)</u>	<u>(\$ 53,256)</u>
Net assets, beginning of year	<u>1,559,034</u>	<u>1,612,290</u>
Net assets, end of year	<u>\$1,545,027</u>	<u>\$1,559,034</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$178,013	\$156,886
Payment to suppliers	(74,668)	(89,006)
Payments to employees	(44,473)	(65,750)
Net cash provided (used) by operating activities	<u>\$ 58,872</u>	<u>\$ 2,130</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 30,000	\$ 55,000
Increase (decrease) in due to other funds	(21,910)	(3,003)
Net cash provided (used) by noncapital financing activities	<u>\$ 8,090</u>	<u>\$ 51,997</u>
Cash flows from capital and related financing activities -		
(Increase) decrease in construction in progress	<u>(\$ 9,104)</u>	<u>\$ -</u>
Cash flows from investment activities -		
Interest received	<u>\$ 19</u>	<u>\$ 9</u>
Net increase (decrease) in cash and cash equivalents	\$ 57,877	\$ 54,136
Cash - beginning of year	<u>56,876</u>	<u>2,740</u>
Cash - end of year	<u><u>\$114,753</u></u>	<u><u>\$ 56,876</u></u>
Reconciliation of operating income (loss) to net cash		
provided (used) by operating activities:		
Operating income (loss)	(\$ 44,026)	(\$108,265)
Adjustments to reconcile operating income to net		
cash provided (used) by operating activities -		
Depreciation expense	108,544	108,544
Changes in assets and liabilities:		
Receivables	-	-
Accounts and other payables	(4,383)	(77)
Accrued expenses	(1,263)	1,928
Net cash provided by operating activities	<u>\$ 58,872</u>	<u>\$ 2,130</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
STATEMENTS OF NET ASSETS

	June 30,	
	2010	2009
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 28,106	\$ 4,037
Accounts receivable	1,548	551
Grant receivable	-	8,773
Due from Federal government	-	5,468
TOTAL CURRENT ASSETS	\$ 29,654	\$ 18,829
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,299,784	\$1,289,054
Less accumulated depreciation	821,625	744,128
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 478,159	\$ 544,926
	\$ 507,813	\$ 563,755
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 3,021	\$ 1,747
Accrued wages and benefits	8,279	8,438
Due to State - State Operating Assistance	39,725	593
Due from federal government	3,916	-
Due to other funds	2,500	30,064
TOTAL CURRENT LIABILITIES	\$ 57,441	\$ 40,842
<u>NET ASSETS</u>		
Invested in capital assets - net of related debt	\$ 478,159	\$ 544,926
Unrestricted	(27,787)	(22,013)
TOTAL NET ASSETS	\$ 450,372	\$ 522,913

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

STATEMENTS OF REVENUES, EXPENSES and CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 103,422	\$103,943
Operating expenses	<u>464,238</u>	<u>501,288</u>
OPERATING INCOME (LOSS)	(\$ 360,816)	(\$397,345)
Non-operating revenues	330,486	357,965
Non-operating expenses	<u>51,875</u>	<u>42,654</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(\$ 82,205)	(\$ 82,034)
Capital contributions	<u>9,664</u>	<u>8,773</u>
CHANGES IN NET ASSETS	(\$ 72,541)	(\$ 73,261)
Net assets, beginning of year	<u>\$ 522,913</u>	<u>\$596,174</u>
Net assets, end of year	<u>\$ 450,372</u>	<u>\$522,913</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$ 102,425	\$ 107,493
Payments to suppliers	(106,470)	(138,875)
Payments to employees	(279,156)	(292,641)
Net cash provided (used) by operating activities	(<u>\$ 283,201</u>)	(<u>\$ 324,023</u>)
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 80,000	\$ 76,000
(Increase) decrease in due from other governmental units	5,468	9,394
Increase (decrease) in due to other funds	(27,564)	13,263
Increase (decrease) in due to other governmental units	43,048	593
Proceeds from grants	250,481	253,778
Specialized services grants paid	(51,802)	(42,617)
Insurance proceeds	-	25,000
Interest expense and finance charges	(73)	(37)
Net cash provided (used) by noncapital financing activities	<u>\$ 299,558</u>	<u>\$ 335,374</u>
Cash flows from capital and related financing activities:		
Capital contributions	\$ 9,664	\$ 8,773
Acquisition of property, plant, and equipment	(10,730)	(13,027)
Proceeds from sale of property, plant, and equipment	-	3,176
(Increase) decrease in grants receivable	<u>8,773</u>	(<u>8,773</u>)
Net cash provided (used) by capital and related financing activities	<u>\$ 7,707</u>	(<u>\$ 9,851</u>)
Cash flows from investing activities -		
Interest received	<u>\$ 5</u>	<u>\$ 11</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,069	\$ 1,511
Cash - beginning of year	<u>4,037</u>	<u>2,526</u>
Cash - end of year	<u><u>\$ 28,106</u></u>	<u><u>\$ 4,037</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 360,816)	(\$ 397,345)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	77,497	76,408
Changes in assets and liabilities:		
Receivables	(997)	3,550
Accounts and other payables	1,274	(6,490)
Accrued expenses	(159)	(146)
Net cash provided by operating activities	<u><u>(\$ 283,201)</u></u>	<u><u>(\$ 324,023)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF NET ASSETS

	June 30,	
	2010	2009
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 52,563	\$ 95,791
Accounts receivable	-	652
Due from other funds	440,920	376,102
Due from component units	<u>5,136</u>	<u>1,028</u>
TOTAL CURRENT ASSETS	<u>\$ 498,619</u>	<u>\$ 473,573</u>
<u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 331,125	\$ 331,125
Equipment	<u>3,025,339</u>	<u>2,965,757</u>
	\$3,356,464	\$3,296,882
Less accumulated depreciation	<u>2,413,352</u>	<u>2,323,402</u>
TOTAL LAND, BUILDINGS, AND EQUIPMENT	<u>\$ 943,112</u>	<u>\$ 973,480</u>
	<u>\$1,441,731</u>	<u>\$1,447,053</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 51,380	\$ 36,361
Accrued wages and benefits	2,276	545
Accrued interest	782	958
Due to other funds	76,426	-
Current maturities on long-term debt	<u>11,000</u>	<u>11,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 141,864</u>	<u>\$ 48,864</u>
<u>LONG-TERM DEBT</u>		
Notes payable	\$ 49,000	\$ 60,000
Less current maturities	<u>11,000</u>	<u>11,000</u>
TOTAL LONG-TERM DEBT	<u>\$ 38,000</u>	<u>\$ 49,000</u>
TOTAL LIABILITIES	<u>\$ 179,864</u>	<u>\$ 97,864</u>
<u>NET ASSETS</u>		
Invested in capital assets - net of related debt	\$ 894,112	\$ 913,480
Unrestricted	<u>367,755</u>	<u>435,709</u>
TOTAL NET ASSETS	<u>\$1,261,867</u>	<u>\$1,349,189</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Charges for services	\$ 687,576	\$ 784,502
Other revenue	<u>6,447</u>	<u>3,224</u>
TOTAL OPERATING REVENUES	<u>\$ 694,023</u>	<u>\$ 787,726</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 481,411	\$ 517,037
Insurance on equipment and garage	34,026	35,167
Employee benefits	<u>32,126</u>	<u>42,079</u>
Depreciation expense	<u>\$ 547,563</u>	<u>\$ 594,283</u>
	<u>309,110</u>	<u>278,251</u>
TOTAL OPERATING EXPENSES	<u>\$ 856,673</u>	<u>\$ 872,534</u>
NET INCOME FROM OPERATIONS	<u>(\$ 162,650)</u>	<u>(\$ 84,808)</u>
Non-operating income:		
Interest	\$ 9	\$ 23
Gain on sale of equipment	<u>46,300</u>	<u>41,660</u>
	<u>\$ 46,309</u>	<u>\$ 41,683</u>
Non-operating expense:		
Interest	\$ 2,711	\$ 3,199
Loss on sale of equipment	<u>47,420</u>	<u>17,403</u>
	<u>\$ 50,131</u>	<u>\$ 20,602</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 13,850	\$ 11,663
Operating transfers to other funds	(5,700)	(36,200)
Federal grant	<u>71,000</u>	<u>34,000</u>
	<u>\$ 79,150</u>	<u>\$ 9,463</u>
CHANGES IN NET ASSETS	<u>(\$ 87,322)</u>	<u>(\$ 54,264)</u>
Net assets, beginning of year	<u>1,349,189</u>	<u>1,403,453</u>
Net assets, end of year	<u>\$1,261,867</u>	<u>\$1,349,189</u>

The accompanying notes to financial statements
are an integral part of this statement

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$695,728	\$786,847
Payments to suppliers	(463,225)	(499,978)
Payments to employees	(67,588)	(94,646)
Other receipts (payments)	<u>6,447</u>	<u>3,224</u>
Net cash provided (used) by operating activities	<u>\$171,362</u>	<u>\$195,447</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 13,850	\$ 11,663
Transfers to other funds and component units	(5,700)	(36,200)
Net cash provided (used) by noncapital financing activities	<u>\$ 8,150</u>	<u>(\$ 24,537)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	\$ 95,919	\$ 41,660
Grant proceeds	71,000	34,000
Acquisition of property, plant and equipment	(375,781)	(297,055)
Issuance (reduction) of long-term debt	(11,000)	(11,561)
Interest paid on long-term debt	(2,887)	(3,355)
Net cash provided (used) by capital and related financing activities	<u>(\$222,749)</u>	<u>(\$236,311)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 9</u>	<u>\$ 23</u>
Net increase (decrease) in cash and cash equivalents	(\$ 43,228)	(\$ 65,378)
Cash - beginning of year	<u>95,791</u>	<u>161,169</u>
Cash - end of year	<u><u>\$ 52,563</u></u>	<u><u>\$ 95,791</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$162,650)	(\$ 84,808)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	309,110	278,251
Changes in assets and liabilities:		
Accounts receivable	652	(652)
Accounts and other payables	15,019	2,587
Due from other funds and component units	(68,926)	10,866
Due to other funds	76,426	(7,869)
Accrued expenses	<u>1,731</u>	<u>(2,928)</u>
Net cash provided by operating activities	<u><u>\$171,362</u></u>	<u><u>\$195,447</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
STATEMENTS OF NET ASSETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 80,775	\$ 106,612
Investments	756,081	2,021,338
Loans to participants	<u>36,407</u>	<u>24,190</u>
	<u>\$ 873,263</u>	<u>\$2,152,140</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	<u>\$ 27,403</u>	<u>\$ -</u>
<u>NET ASSETS</u>	<u>\$ 846,220</u>	<u>\$2,152,140</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE RETIREMENT FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Employer contributions	\$ 164,404	\$ 191,383
Investment income	<u>46,954</u>	<u>97,555</u>
TOTAL OPERATING REVENUES	<u>\$ 211,358</u>	<u>\$ 288,938</u>
Operating expenses:		
Plan distributions	\$1,908,530	\$ 781,999
General administration	<u>500</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>\$1,909,030</u>	<u>\$ 781,999</u>
NET OPERATING INCOME (LOSS)	(\$1,697,672)	(\$ 493,061)
Net appreciation (depreciation) in fair value of investments	<u>391,752</u>	(<u>737,126</u>)
CHANGES IN NET ASSETS	(\$1,305,920)	(\$1,230,187)
Net Assets, beginning of year	<u>2,152,140</u>	<u>3,382,327</u>
Net Assets, end of year	<u><u>\$ 846,220</u></u>	<u><u>\$2,152,140</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
STATEMENTS OF NET ASSETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$735,267	\$591,006
Prepaid expense	<u>24,077</u>	<u>30,720</u>
	<u>\$759,344</u>	<u>\$621,726</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 650	\$ 1,431
Accumulated employee sick leave	51,873	61,762
Accumulated employee vacation	<u>90,961</u>	<u>74,333</u>
	<u>\$143,484</u>	<u>\$137,526</u>
TOTAL LIABILITIES		
	<u>\$143,484</u>	<u>\$137,526</u>
<u>NET ASSETS</u>		
	<u>\$615,860</u>	<u>\$484,200</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Charges for services	\$1,096,917	\$1,119,404
Other revenue	<u>15,543</u>	<u>22,526</u>
TOTAL OPERATING REVENUES	<u>\$1,112,460</u>	<u>\$1,141,930</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 132,062	\$ 130,683
Hospitalization insurance	362,860	353,047
Sick pay	42,444	25,363
Vacation pay	108,929	97,598
Holiday pay	44,057	38,926
Funeral leave	2,155	2,010
Longevity pay	8,775	8,435
Workers' compensation insurance	45,736	37,895
Unemployment insurance	17,436	2,117
Retirement contributions	164,403	191,383
Life insurance	39,486	37,045
Disability insurance	6,799	6,702
Other	<u>5,658</u>	<u>11,072</u>
TOTAL OPERATING EXPENSES	<u>\$ 980,800</u>	<u>\$ 942,276</u>
CHANGES IN NET ASSETS	\$ 131,660	\$ 199,654
Net Assets, beginning of year	<u>484,200</u>	<u>284,546</u>
Net Assets, end of year	<u>\$ 615,860</u>	<u>\$ 484,200</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$1,096,917	\$1,119,404
Payments to suppliers	(5,658)	(11,072)
Payments to employees	(962,541)	(927,620)
Other receipts	<u>15,543</u>	<u>22,526</u>
Cash flows provided (used) by operating activities	\$ 144,261	\$ 203,238
Cash, beginning of year	<u>591,006</u>	<u>387,768</u>
Cash, end of year	<u>\$ 735,267</u>	<u>\$ 591,006</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 131,660	\$ 199,654
Changes in assets and liabilities:		
Prepaid expense	6,643	4,994
Accounts payable	(781)	724
Accumulated employee sick leave	(9,889)	(6,600)
Accumulated employee vacation	<u>16,628</u>	<u>4,466</u>
Net cash provided (used) by operating activities	<u>\$ 144,261</u>	<u>\$ 203,238</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

AGENCY FUND

TAX COLLECTION FUND

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

For the Year ended June 30, 2010

	<u>Balance</u> <u>07-01-09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06-30-10</u>
<u>ASSETS</u>				
Cash	<u>\$ 2,171</u>	<u>\$4,762,716</u>	<u>\$4,745,760</u>	<u>\$ 19,127</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ 108	\$ 247,977	\$ 247,392	\$ 693
Tax Increment Finance Authority	(14,780)	523,656	508,753	123
Due to other governmental units	<u>16,843</u>	<u>3,991,083</u>	<u>3,989,615</u>	<u>18,311</u>
TOTAL LIABILITIES	<u>\$ 2,171</u>	<u>\$4,762,716</u>	<u>\$4,745,760</u>	<u>\$ 19,127</u>

The accompanying notes to financial statements
are an integral part of this statement.

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2010

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>General</u>	<u>Debt</u> <u>Service</u>	<u>Long-Term</u> <u>Debt</u> <u>Group of</u>
	<u>2010</u>	<u>2009</u>	<u>Fund</u>	<u>Funds</u>	<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 106,664	\$ 137,897	\$ 105,990	\$ 674	\$ -
Taxes receivable	28,989	4,243	28,989	-	-
Due from primary government	693	108	693	-	-
Amount to be provided for retirement of long-term debt	<u>734,459</u>	<u>797,944</u>	<u>-</u>	<u>-</u>	<u>734,459</u>
	<u>\$ 870,805</u>	<u>\$ 940,192</u>	<u>\$ 135,672</u>	<u>\$ 674</u>	<u>\$ 734,459</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 28,061	\$ 11,648	\$ 28,061	\$ -	\$ -
Accrued wages and benefits	-	1,228	-	-	-
Deferred revenue	5,991	4,243	5,991	-	-
Due to primary government	29,861	30,000	29,861	-	-
Long-term debt	<u>734,459</u>	<u>797,944</u>	<u>-</u>	<u>-</u>	<u>734,459</u>
TOTAL LIABILITIES	\$ 798,372	\$ 845,063	\$ 63,913	\$ -	\$ 734,459
<u>FUND BALANCE (DEFICIT)</u>	<u>72,433</u>	<u>95,129</u>	<u>71,759</u>	<u>674</u>	<u>-</u>
	<u>\$ 870,805</u>	<u>\$ 940,192</u>	<u>\$ 135,672</u>	<u>\$ 674</u>	<u>\$ 734,459</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2010

	Totals (Memorandum Only)		General	Debt
	<u>2010</u>	<u>2009</u>	<u>Fund</u>	<u>Service</u> <u>Funds</u>
Revenues:				
Taxes	\$270,975	\$341,852	\$270,975	\$ -
Interest and rents	392	1,632	392	-
Miscellaneous	<u>1,891</u>	<u>2,979</u>	<u>1,891</u>	<u>-</u>
TOTAL REVENUES	<u>\$273,258</u>	<u>\$346,463</u>	<u>\$273,258</u>	<u>\$ -</u>
Expenditures:				
Administration	\$ 72,116	\$ 40,964	\$ 72,116	\$ -
Recreation and parks	26,827	27,375	26,827	-
Capital outlay	24,203	-	24,203	-
Debt Service:				
Principal	50,801	48,543	-	50,801
Interest	<u>66,367</u>	<u>64,352</u>	<u>-</u>	<u>66,367</u>
TOTAL EXPENDITURES	<u>\$240,314</u>	<u>\$181,234</u>	<u>\$123,146</u>	<u>\$117,168</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 32,944</u>	<u>\$165,229</u>	<u>\$150,112</u>	<u>(\$117,168)</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 55,640)	(\$159,904)	(\$ 55,640)	\$ -
Operating transfers from other funds	117,168	112,875	-	117,168
Operating transfers to other funds	<u>(117,168)</u>	<u>(112,875)</u>	<u>(117,168)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 55,640)</u>	<u>(\$159,904)</u>	<u>(\$172,808)</u>	<u>\$117,168</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 22,696	\$ 5,325	(\$ 22,696)	\$ -
Fund balance (deficit), beginning of year	<u>(95,129)</u>	<u>89,804</u>	<u>94,455</u>	<u>674</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 72,433</u>	<u>\$ 95,129</u>	<u>\$ 71,759</u>	<u>\$ 674</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 105,990	\$ 137,223
Taxes receivable	28,989	4,243
Due from primary government	<u>693</u>	<u>108</u>
	<u>\$ 135,672</u>	<u>\$ 141,574</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 28,061	\$ 11,648
Accrued wages and benefits	-	1,228
Due to primary government	29,861	30,000
Deferred revenue	<u>5,991</u>	<u>4,243</u>
TOTAL LIABILITIES	\$ 63,913	\$ 47,119
<u>FUND BALANCE (DEFICIT)</u>	<u>71,759</u>	<u>94,455</u>
	<u>\$ 135,672</u>	<u>\$ 141,574</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended June 30, 2010
With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$236,700	\$270,975	\$ 34,275	\$341,852
Interest and rents	4,000	392	(3,608)	1,632
Miscellaneous	<u>5,000</u>	<u>1,891</u>	<u>(3,109)</u>	<u>2,979</u>
TOTAL REVENUES	<u>\$245,700</u>	<u>\$273,258</u>	<u>\$ 27,558</u>	<u>\$346,463</u>
Expenditures:				
General government administration	\$ 41,693	\$ 72,116	(\$ 30,423)	\$ 40,964
Recreation and parks	31,200	26,827	4,373	27,375
Capital outlay	<u>-</u>	<u>24,203</u>	<u>(24,203)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 72,893</u>	<u>\$123,146</u>	<u>(\$ 50,253)</u>	<u>\$ 68,339</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$172,807</u>	<u>\$150,112</u>	<u>(\$ 22,695)</u>	<u>\$278,124</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 55,640)	(\$ 55,640)	\$ -	(\$159,904)
Operating transfers to other funds	<u>(117,167)</u>	<u>(117,168)</u>	<u>(1)</u>	<u>(112,875)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$172,807)</u>	<u>(\$172,808)</u>	<u>(\$ 1)</u>	<u>(\$272,779)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 22,696)	(\$ 22,696)	\$ 5,345
Fund balance (deficit), beginning of year	<u>94,455</u>	<u>94,455</u>	<u>-</u>	<u>89,110</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 94,455</u>	<u>\$ 71,759</u>	<u>(\$ 22,696)</u>	<u>\$ 94,455</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING BALANCE SHEETS
 June 30, 2010
 With Totals for June 30, 2009

	Totals (Memorandum Only)		1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
	<u>2010</u>	<u>2009</u>		
<u>ASSETS</u>				
Cash	\$ <u>674</u>	\$ <u>674</u>	\$ <u>593</u>	\$ <u>81</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>674</u>	<u>674</u>	<u>593</u>	<u>81</u>
	<u>\$ 674</u>	<u>\$ 674</u>	<u>\$ 593</u>	<u>\$ 81</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY
 Year ended June 30, 2010
 With Totals for June 30, 2009

	Totals (Memorandum Only)		1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
	<u>2010</u>	<u>2009</u>		
Revenues -				
Contributions from other funds	\$ <u>117,168</u>	\$ <u>112,875</u>	\$ <u>17,168</u>	\$ <u>100,000</u>
Expenditures:				
Redemption of serial bonds	\$ <u>50,801</u>	\$ <u>48,543</u>	\$ <u>15,000</u>	\$ <u>35,801</u>
Interest on bonds	<u>66,367</u>	<u>64,352</u>	<u>2,168</u>	<u>64,199</u>
TOTAL EXPENDITURES	\$ <u>117,168</u>	\$ <u>112,895</u>	\$ <u>17,168</u>	\$ <u>100,000</u>
EXCESS OF REVENUES	\$ -	(\$ 20)	\$ -	\$ -
Fund equity, beginning of year	<u>674</u>	<u>694</u>	<u>593</u>	<u>81</u>
FUND EQUITY, END OF YEAR	\$ <u><u>674</u></u>	\$ <u><u>674</u></u>	\$ <u><u>593</u></u>	\$ <u><u>81</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

<u>June 30,</u>	
<u>2010</u>	<u>2009</u>

AMOUNT TO BE PROVIDED FOR THE
RETIREMENT OF GENERAL LONG-TERM DEBT

Amounts to be provided for the retirement
of long-term debt

<u>\$ 734,459</u>	<u>\$ 797,944</u>
-------------------	-------------------

GENERAL LONG-TERM DEBT PAYABLE

Limited tax development bonds, including accrued interest
1996 Building Authority Bonds

\$ 704,459	\$ 752,944
<u>30,000</u>	<u>45,000</u>
<u>\$ 734,459</u>	<u>\$ 797,944</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2010

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>General</u>	<u>Debt</u> <u>Service</u>	<u>Long-Term</u> <u>Debt</u> <u>Group of</u> <u>Accounts</u>
	<u>2010</u>	<u>2009</u>	<u>Fund</u>	<u>Funds</u>	
<u>ASSETS</u>					
Cash	\$ 218,874	\$ 103,162	\$ 218,753	\$ 121	\$ -
Taxes receivable	60,209	10,322	60,209	-	-
Due from primary government	78,892	78,769	78,892	-	-
Amount to be provided for retirement of long-term debt	<u>905,000</u>	<u>1,020,000</u>	<u>-</u>	<u>-</u>	<u>905,000</u>
	<u>\$1,262,975</u>	<u>\$1,212,253</u>	<u>\$ 357,854</u>	<u>\$ 121</u>	<u>\$ 905,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 48,189	\$ 20,855	\$ 48,189	\$ -	\$ -
Accrued wages and benefits	-	3,051	-	-	-
Due to primary government	4,717	15,808	4,717	-	-
Deferred revenue	10,128	10,322	10,128	-	-
Long-term debt	<u>905,000</u>	<u>1,020,000</u>	<u>-</u>	<u>-</u>	<u>905,000</u>
TOTAL LIABILITIES	\$ 968,034	\$1,070,036	\$ 63,034	\$ -	\$ 905,000
<u>FUND BALANCE</u>	<u>294,941</u>	<u>142,217</u>	<u>294,820</u>	<u>121</u>	<u>-</u>
	<u>\$1,262,975</u>	<u>\$1,212,253</u>	<u>\$ 357,854</u>	<u>\$ 121</u>	<u>\$ 905,000</u>

The accompanying notes to financial statements
are an integral part of this statements.

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year ended June 30, 2010

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Funds</u>
	<u>2010</u>	<u>2009</u>		
Revenues:				
Taxes	\$ 558,748	\$ 677,656	\$ 558,748	\$ -
Interest and rents	<u>693</u>	<u>2,629</u>	<u>693</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 559,441</u>	<u>\$ 680,285</u>	<u>\$ 559,441</u>	<u>\$ -</u>
Expenditures:				
General government administration	\$ 86,379	\$ 92,398	\$ 86,379	\$ -
Capital outlay	152,930	386,982	152,930	-
Debt Service:				
Principal	115,000	110,000	-	115,000
Interest	<u>52,408</u>	<u>57,898</u>	<u>-</u>	<u>52,408</u>
TOTAL EXPENDITURES	<u>\$ 406,717</u>	<u>\$ 647,278</u>	<u>\$ 239,309</u>	<u>\$167,408</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 152,724</u>	<u>\$ 33,007</u>	<u>\$ 320,132</u>	<u>(\$167,408)</u>
Other financing sources (uses):				
Operating transfers from other funds	\$ 167,408	\$ 167,898	\$ -	\$167,408
Operating transfers to other funds	<u>(167,408)</u>	<u>(167,898)</u>	<u>(167,408)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 167,408)</u>	<u>\$167,408</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 152,724	\$ 33,007	\$ 152,724	\$ -
Fund balance (deficit), beginning of year	<u>142,217</u>	<u>109,210</u>	<u>142,096</u>	<u>121</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 294,941</u></u>	<u><u>\$ 142,217</u></u>	<u><u>\$ 294,820</u></u>	<u><u>\$ 121</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$218,753	\$103,041
Taxes receivable	60,209	10,322
Due from primary government	<u>78,892</u>	<u>78,769</u>
	<u>\$357,854</u>	<u>\$192,132</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 48,189	\$ 20,855
Accrued wages and benefits	-	3,051
Due to primary government	4,717	15,808
Deferred revenue	<u>10,128</u>	<u>10,322</u>
TOTAL LIABILITIES	\$ 63,034	\$ 50,036
<u>FUND BALANCE</u>	<u>294,820</u>	<u>142,096</u>
	<u>\$357,854</u>	<u>\$192,132</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2010
 With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$ 525,000	\$ 558,748	\$ 33,748	\$ 677,656
Interest and rents	<u>4,000</u>	<u>693</u>	<u>(3,307)</u>	<u>2,629</u>
TOTAL REVENUES	<u>\$ 529,000</u>	<u>\$ 559,441</u>	<u>\$ 30,441</u>	<u>\$ 680,285</u>
Expenditures:				
General government administration	\$ 120,550	\$ 86,379	\$ 34,171	\$ 92,398
Capital outlay	<u>241,042</u>	<u>152,930</u>	<u>88,112</u>	<u>386,982</u>
TOTAL EXPENDITURES	<u>\$ 361,592</u>	<u>\$ 239,309</u>	<u>\$ 122,283</u>	<u>\$ 479,380</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 167,408	\$ 320,132	\$ 152,724	\$ 200,905
Other financing sources (uses) -				
Operating transfers to other fund	<u>(167,408)</u>	<u>(167,408)</u>	<u>-</u>	<u>(167,898)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 152,724	\$ 152,724	\$ 33,007
Fund balance (deficit), beginning of year	<u>142,096</u>	<u>142,096</u>	<u>-</u>	<u>109,089</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 142,096</u></u>	<u><u>\$ 294,820</u></u>	<u><u>\$ 152,724</u></u>	<u><u>\$ 142,096</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING BALANCE SHEETS
 Year ended June 30, 2010
 With totals for June 30, 2009

	Totals (Memorandum Only)		Tax Increment Revenue Bonds	
			1998 LTD Refunding Bonds	1999 Bluffs Bond Debt
	<u>2010</u>	<u>2009</u>		
<u>ASSETS</u>				
Cash	<u>\$ 121</u>	<u>\$ 121</u>	<u>\$ 58</u>	<u>\$ 63</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>121</u>	<u>121</u>	<u>58</u>	<u>63</u>
	<u>\$ 121</u>	<u>\$ 121</u>	<u>\$ 58</u>	<u>\$ 63</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 TAX INCREMENT FINANCE AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY
 Year ended June 30, 2010
 With totals for June 30, 2009

	Totals (Memorandum Only)		Tax Increment Revenue Bonds	
			1998	1999
	<u>2010</u>	<u>2009</u>	LTD Refunding Bonds	Bluffs Bond Debt
Revenues -				
Contributions from other funds	<u>\$167,408</u>	<u>\$167,898</u>	<u>\$ 120,358</u>	<u>\$ 47,050</u>
Expenditures:				
Redemption of serial bonds	\$115,000	\$110,000	\$ 90,000	\$ 25,000
Interest on bonds	<u>52,408</u>	<u>57,898</u>	<u>30,358</u>	<u>22,050</u>
TOTAL EXPENDITURES	<u>\$167,408</u>	<u>\$167,898</u>	<u>\$ 120,358</u>	<u>\$ 47,050</u>
EXCESS OF REVENUES	\$ -	\$ -	\$ -	\$ -
Fund equity, beginning of year	<u>121</u>	<u>121</u>	<u>58</u>	<u>63</u>
FUND EQUITY, END OF YEAR	<u>\$ 121</u>	<u>\$ 121</u>	<u>\$ 58</u>	<u>\$ 63</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amounts to be provided for the retirement of bonds payable	<u>\$ 905,000</u>	<u>\$1,020,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
1999 Bluffs Project Bonds	\$ 350,000	\$ 375,000
1998 Limited Tax Development Refunding Bonds	<u>555,000</u>	<u>645,000</u>
	<u>\$ 905,000</u>	<u>\$1,020,000</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2010

	Totals (Memorandum Only)		General Fund	Long-Term Debt Group of Accounts
	2010	2009		
<u>ASSETS</u>				
Cash	\$ 102	\$ 102	\$ 102	\$ -
Due from primary government	15,383	15,383	15,383	-
Due from other governmental units	134,541	177,428	134,541	-
Amount to be provided for retirement of long-term debt	<u>134,541</u>	<u>177,428</u>	<u>-</u>	<u>134,541</u>
	<u>\$284,567</u>	<u>\$370,341</u>	<u>\$150,026</u>	<u>\$ 134,541</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Deferred revenue	\$134,541	\$177,428	\$134,541	\$ -
Long-term debt	<u>134,541</u>	<u>177,428</u>	<u>-</u>	<u>134,541</u>
TOTAL LIABILITIES	\$269,082	\$354,856	\$134,541	\$ 134,541
<u>FUND BALANCE</u>	<u>15,485</u>	<u>15,485</u>	<u>15,485</u>	<u>-</u>
	<u>\$284,567</u>	<u>\$370,341</u>	<u>\$150,026</u>	<u>\$ 134,541</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 BROWNFIELD REDEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 BALANCE SHEETS

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 102	\$ 102
Due from primary government	15,383	15,383
Due from other governmental units	<u>134,541</u>	<u>177,428</u>
	<u>\$150,026</u>	<u>\$192,913</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$134,541	\$177,428
<u>FUND BALANCE</u>	<u>15,485</u>	<u>15,485</u>
	<u>\$150,026</u>	<u>\$192,913</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 BROWNFIELD REDEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2010
 With Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues -				
County	<u>\$ -</u>	<u>\$ 46,880</u>	<u>\$ 46,880</u>	<u>\$ 46,880</u>
Expenditures:				
Principal	<u>\$ -</u>	<u>\$ 42,888</u>	<u>(\$ 42,888)</u>	<u>\$ 41,944</u>
Interest	<u>-</u>	<u>3,992</u>	<u>(3,992)</u>	<u>4,936</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 46,880</u>	<u>(\$ 46,880)</u>	<u>\$ 46,880</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year	<u>15,485</u>	<u>15,485</u>	<u>-</u>	<u>15,485</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 15,485</u></u>	<u><u>\$ 15,485</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,485</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 BROWNFIELD REDEVELOPMENT AUTHORITY
 A discretely presented component unit
 STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amount to be provided for the retirement of bonds payable	<u>\$134,541</u>	<u>\$177,428</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Limited obligation revenue bonds	<u>\$134,541</u>	<u>\$177,428</u>

The accompanying notes to financial statements
 are an integral part of this statement.

OTHER FINANCIAL INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,286,846	\$1,126,324
Personal property taxes	76,250	63,322
Payments in lieu of taxes	6,493	6,383
Previously written off	2,672	1,070
Administration fees and interest	<u>34,154</u>	<u>60,964</u>
TOTAL TAXES	<u>\$ 1,406,415</u>	<u>\$1,258,063</u>
Licenses and permits	<u>\$ 9,420</u>	<u>\$ 5,715</u>
State grants:		
Sales and use tax	\$ 683,438	\$ 806,526
Liquor licenses	8,687	8,416
Fire protection	45,239	44,918
Other	<u>15,880</u>	<u>2,465</u>
TOTAL STATE GRANTS	<u>\$ 753,244</u>	<u>\$ 862,325</u>
Charges for service:		
Accident reports	\$ 1,858	\$ 3,034
Lighting - MTU	3,126	3,411
Dee Stadium	149,866	140,760
Sanitation	284,480	277,436
Charges to users	<u>304,074</u>	<u>318,056</u>
TOTAL CHARGES FOR SERVICES	<u>\$ 743,404</u>	<u>\$ 742,697</u>
Interest and rents -		
Interest income	<u>\$ 12,760</u>	<u>\$ 33,257</u>
Other revenue:		
Sale of assets	\$ 15,450	\$ 14,605
Fines and forfeits	8,183	9,369
Miscellaneous	<u>43,179</u>	<u>34,340</u>
TOTAL OTHER REVENUE	<u>\$ 66,812</u>	<u>\$ 58,314</u>
TOTAL REVENUES	<u>\$ 2,992,055</u>	<u>\$2,960,371</u>
EXPENDITURES:		
General government administration:		
Legislative	\$ 22,682	\$ 23,333
City manager	86,168	81,106
Elections	6,317	14,299
Assessor	31,586	30,120
Planning and professional services	39,890	38,044
Clerk	157,602	154,322
Treasurer	57,545	53,686
Accounting and auditing	18,000	17,000
Building and grounds	196,665	172,439
Community promotion	65,490	44,138
Capital outlay	<u>32,532</u>	<u>62,402</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>\$ 714,477</u>	<u>\$ 690,889</u>

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE (CONTINUED)

	<u>Year ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Public safety:		
Police	\$ 786,824	\$ 680,691
Fire	140,683	139,133
Capital outlay	<u>6,388</u>	<u>113,397</u>
TOTAL PUBLIC SAFETY	\$ <u>933,895</u>	\$ <u>933,221</u>
Public works:		
Department of public works	\$ 26,544	\$ 21,504
Building inspection	86,182	75,782
Sidewalks and curbs	22,400	10,364
Street lighting	186,980	148,655
Tree trimming	7,886	4,388
Refuse collections	<u>236,483</u>	<u>237,311</u>
TOTAL PUBLIC WORKS	\$ <u>566,475</u>	\$ <u>498,004</u>
Recreation and parks:		
Beach	\$ 44,596	\$ 37,645
Dee Stadium	126,331	135,131
Parks	142,384	145,883
Capital outlay	<u>5,085</u>	<u>-</u>
TOTAL RECREATION AND PARKS	\$ <u>318,396</u>	\$ <u>318,659</u>
Debt service:		
Principal	\$ 102,042	\$ 73,907
Interest	<u>35,423</u>	<u>36,059</u>
TOTAL DEBT SERVICE	\$ <u>137,465</u>	\$ <u>109,966</u>
Other expenditures:		
City beautification	\$ 4,721	\$ 3,760
Insurance and bonds	63,924	56,214
Miscellaneous	<u>2,480</u>	<u>5,014</u>
TOTAL OTHER EXPENDITURES	\$ <u>71,125</u>	\$ <u>64,988</u>
TOTAL EXPENDITURES	\$ <u>2,741,833</u>	\$ <u>2,615,727</u>
EXCESS REVENUES OVER EXPENDITURES	\$ <u>250,222</u>	\$ <u>344,644</u>
Other financing sources (uses):		
Proceeds from long-term debt	\$ -	\$ 109,000
Operating transfers in	5,700	5,700
Operating transfers out	(<u>413,461</u>)	(<u>353,770</u>)
TOTAL OTHER FINANCING SOURCES (USES)	(\$ <u>407,761</u>)	(\$ <u>239,070</u>)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 157,539)	\$ 105,574
Fund balance, beginning of year	<u>914,072</u>	<u>808,498</u>
FUND BALANCE, END OF YEAR	\$ <u><u>756,533</u></u>	\$ <u><u>914,072</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
SCHEDULES OF EXPENDITURES AND REIMBURSEMENTS FOR STATE TRUNKLINE MAINTENANCE

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Expenditures:		
Traffic signals	\$ 10,723	\$ 18,427
Surface maintenance	11,518	14,226
Sweeping and flushing	-	1,153
Culvert/underdrain	9,432	3,579
Snow and ice control	263,060	333,626
Other	<u>516</u>	<u>358</u>
	\$295,249	\$371,369
Reimbursements		
Michigan Department of Highways and Transportation	<u>292,749</u>	<u>386,536</u>
	<u>(\$ 2,500)</u>	<u>\$ 15,167</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
SCHEDULE OF OPERATING REVENUES
Year ended June 30, 2010

	7-1-09 to <u>9-30-09</u>	10-1-09 to <u>6-30-10</u>	<u>Total</u>
Fare box	\$ 17,306	\$ 55,359	\$ 72,665
Special contract fares	7,648	19,880	27,528
Other revenue - RTAP reimbursements	<u>2,518</u>	<u>711</u>	<u>3,229</u>
TOTAL OPERATING REVENUES	<u>\$ 27,472</u>	<u>\$ 75,950</u>	<u>\$103,422</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2010

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 139,153	\$ -	\$ -	\$139,153
Other salaries and wages	-	19,273	34,329	53,602
Fringe benefits	37,839	18,085	30,318	86,242
Services:				
Contracted services	2,266	-	-	2,266
Printing and publishing	-	-	633	633
Audit	-	-	2,500	2,500
Materials and supplies consumed:				
Fuel and lubricants	30,550	-	-	30,550
Repairs and maintenance	-	21,411	-	21,411
Other materials and supplies	8,604	6,485	77	15,166
Utilities	1,996	9,809	-	11,805
Casualty and liability cost - Premiums for public liability and property damage insurance	-	17,413	-	17,413
Miscellaneous expenses	1,333	1,061	3,606	6,000
Depreciation	<u>61,929</u>	<u>3,479</u>	<u>12,089</u>	<u>77,497</u>
TOTAL OPERATING EXPENSES	<u>\$ 283,670</u>	<u>\$ 97,016</u>	<u>\$ 83,552</u>	<u>\$464,238</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Year ended June 30, 2010

Non-operating revenues:

Operating transfers in - General Fund	\$ 80,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	134,065
FY 2007 adjustment	3,660
Specialized Services -	
Contract 07-0226	51,802
Federal Operating Grant - U.S. DOT Operating	
Grant - Section 5311:	
Contract 07-0226	60,954
Interest income	<u>5</u>
TOTAL NON-OPERATING REVENUES	<u>\$330,486</u>

Non-operating expenses:

Specialized Services Grants -	
Contract 02-0046	\$ 51,802
Finance charges	<u>73</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 51,875</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
LOCAL REVENUES
Year ended June 30, 2010

	7-1-09 to <u>9-30-09</u>	10-1-09 to <u>6-30-10</u>	<u>Total</u>
Fare box	\$ 17,306	\$ 55,359	\$ 72,665
Special contract fares	<u>7,648</u>	<u>19,880</u>	<u>27,528</u>
TOTAL REVENUES	<u>\$ 24,954</u>	<u>\$ 75,239</u>	<u>\$100,193</u>

Based on a September 30, 2009 Year End

	10-1-08 to <u>6-30-09</u>	7-1-09 to <u>9-30-09</u>	<u>Total</u>
Fare box	\$ 51,261	\$ 17,306	\$ 68,567
Special contract fares	<u>25,356</u>	<u>7,648</u>	<u>33,004</u>
TOTAL REVENUES	<u>\$ 76,617</u>	<u>\$ 24,954</u>	<u>\$101,571</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
FEDERAL AND STATE AWARDS
For the Year ended June 30, 2010

	7-1-09 to <u>9-30-09</u>	10-1-09 to <u>6-30-10</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 25,913	\$108,152	\$134,065
Federal Transit Administration Section 5311	11,640	49,314	60,954
RTAP	<u>2,518</u>	<u>711</u>	<u>3,229</u>
TOTAL	<u>\$ 40,071</u>	<u>\$158,177</u>	<u>\$198,248</u>

Based on a September 30, 2009 Year End

	10-1-08 to <u>6-30-09</u>	7-1-09 to <u>9-30-09</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$109,779	\$ 25,913	\$135,692
Federal Transit Administration Section 5311	49,311	11,640	60,951
RTAP	<u>772</u>	<u>2,518</u>	<u>3,290</u>
TOTAL	<u>\$159,862</u>	<u>\$ 40,071</u>	<u>\$199,933</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
OPERATING AND CONTRACT EXPENSES
Year ended June 30, 2010

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 192,755	\$ -	\$ -	\$192,755
Fringe benefits	74,678	-	-	74,678
Pension	11,564	-	-	11,564
Services	5,399	-	-	5,399
Materials and supplies	67,127	-	-	67,127
Utilities	11,805	-	-	11,805
Casualty and liability costs	17,413	-	-	17,413
Purchased services	-	51,802	-	51,802
Miscellaneous expenses	6,000	-	-	6,000
Depreciation	77,497	-	-	77,497
TOTAL EXPENSES	<u>\$ 464,238</u>	<u>\$ 51,802</u>	<u>\$ -</u>	<u>\$516,040</u>

The Specialized Services Program is a pass-through program and all revenues are passed through directly to the recipient organization. Costs paid under this program were allocated under the 1990 Specialized Services plan. The plan was adhered to in the preparation of the financial statements.

No BPT approved cost allocation plans are required, nor were any BPT approved cost allocation plans used in the preparation of the financial statements. No BPT approved cost allocation plan is required for the Specialized Services Program because the transit agency merely acts as a pass-through agency.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS
Year ended June 30, 2010

	<u>Federal Section 5311- Nonurban</u>		
	07-0226	07-0226	Total
	<u>7-1-09 to 9-30-09</u>	<u>10-1-09 to 6-30-10</u>	
Expenses:			
Labor	\$ 36,458	\$156,297	\$192,755
Fringe benefits	16,365	69,877	86,242
Services	1,096	4,302	5,398
Materials and supplies	12,597	54,531	67,128
Utilities	2,041	9,764	11,805
Casualty and liability costs	4,353	13,060	17,413
Miscellaneous expenses	3,029	3,044	6,073
Depreciation	<u>19,374</u>	<u>58,123</u>	<u>77,497</u>
TOTAL OPERATING EXPENSES	<u>\$ 95,313</u>	<u>\$368,998</u>	<u>\$464,311</u>
Less ineligible expenses:			
RTAP reimbursements	\$ 2,518	\$ 711	\$ 3,229
Audit	625	1,875	2,500
Finance charges and NSF	36	37	73
Association dues	12	37	49
Depreciation	<u>19,374</u>	<u>58,123</u>	<u>77,497</u>
TOTAL INELIGIBLE EXPENSES			
AND REIMBURSEMENTS	<u>\$ 22,565</u>	<u>\$ 60,783</u>	<u>\$ 83,348</u>
NET ELIGIBLE EXPENSES	<u>\$ 72,748</u>	<u>\$308,215</u>	<u>\$380,963</u>
Maximum Section 5311 reimbursement:			
16.00%	<u>\$ 11,640</u>		
16.00%		<u>\$ 49,314</u>	

State Statutory Operating Assistance - the lower of its:
Reimbursement Amount:

35.62% of eligible expenses for non-urbanized areas
(.3562 x \$72,748)

35.09% of eligible expenses for non-urbanized areas
(.3509 x \$308,215)

The percentages are calculated based on budgeted eligible operating expenses. Therefore, the percentages will be recalculated after total eligible operating expenses are determined based on the preliminary reconciliation and the audited close-out. There is a fixed amount of state funds available statewide and the percentages change based on the statewide eligible expenses.

Statutory Cap:

Non-urbanized areas and urbanized areas under 100,000 population can receive up to 60% of eligible operating expenses.

Mandatory Floor:

An agency must receive, at a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

Capital Money

No capital money has been used to pay operating expenses.

The accompanying notes to financial statements
are an integral part of this statement

Local Bus Operating Assistance

<u>7-1-09 to 9-30-09</u>	<u>10-1-09 to 6-30-10</u>	<u>Total</u>
\$ 36,458	\$156,297	\$ 192,755
16,365	69,877	86,242
1,096	4,302	5,398
12,597	54,531	67,128
2,041	9,764	11,805
4,353	13,060	17,413
3,029	3,044	6,073
<u>19,374</u>	<u>58,123</u>	<u>77,497</u>
<u>\$ 95,313</u>	<u>\$368,998</u>	<u>\$ 464,311</u>
\$ 2,518	\$ 711	\$ 3,229
625	1,875	2,500
36	37	73
12	37	49
<u>19,374</u>	<u>58,123</u>	<u>77,497</u>
<u>\$ 22,565</u>	<u>\$ 60,783</u>	<u>\$ 83,348</u>
<u>\$ 72,748</u>	<u>\$308,215</u>	<u>\$ 380,963</u>

\$ 25,913

\$108,152

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2009 Year End

	<u>Federal Section 5311- Nonurban</u>		
	07-0226-Z4		
	<u>10-1-08 to 6-30-09</u>	<u>7-1-09 to 9-30-09</u>	<u>Total</u>
Expenses:			
Labor	\$162,074	\$ 36,458	\$198,532
Fringe benefits	73,381	16,365	89,746
Services	4,987	1,096	6,083
Materials and supplies	55,219	12,597	67,816
Utilities	15,519	2,041	17,560
Casualty and liability costs	17,474	4,353	21,827
Miscellaneous expenses	5,387	3,029	8,416
Depreciation	<u>57,306</u>	<u>19,374</u>	<u>76,680</u>
TOTAL OPERATING EXPENSES	<u>\$391,347</u>	<u>\$ 95,313</u>	<u>\$486,660</u>
Less ineligible expenses:			
RTAP reimbursements	\$ 772	\$ 2,518	\$ 3,290
Audit	-	625	625
Insurance reimbursement	25,000	-	25,000
Finance charges and NSF	37	36	73
Association dues	37	12	49
Depreciation	<u>57,306</u>	<u>19,374</u>	<u>76,680</u>
TOTAL INELIGIBLE EXPENSES			
AND REIMBURSEMENTS	<u>\$ 83,152</u>	<u>\$ 22,565</u>	<u>\$105,717</u>
NET ELIGIBLE EXPENSES	<u>\$308,195</u>	<u>\$ 72,748</u>	<u>\$380,943</u>
Maximum Section 5311 reimbursement:			
16.00%	<u>\$ 49,311</u>		
16.00%		<u>\$ 11,640</u>	

State Statutory Operating Assistance -

Reimbursement Amount:

35.62% of eligible expenses for nonurbanized areas

(.3562 x \$308,195)

(.3562 x \$ 72,748)

The accompanying notes to financial statements
are an integral part of this statement.

Local Bus Operating Assistance

<u>10-1-08 to 6-30-09</u>	<u>7-1-09 to 9-30-09</u>	<u>Total</u>
\$162,074	\$ 36,458	\$ 198,532
73,381	16,365	89,746
4,987	1,096	6,083
55,219	12,597	67,816
15,519	2,041	17,560
17,474	4,353	21,827
5,387	3,029	8,416
<u>57,306</u>	<u>19,374</u>	<u>76,680</u>
<u>\$391,347</u>	<u>\$ 95,313</u>	<u>\$ 486,660</u>
\$ 772	\$ 2,518	\$ 3,290
-	625	625
25,000	-	25,000
37	36	73
37	12	49
<u>57,306</u>	<u>19,374</u>	<u>76,680</u>
<u>\$ 83,152</u>	<u>\$ 22,565</u>	<u>\$ 105,717</u>
<u>\$308,195</u>	<u>\$ 72,748</u>	<u>\$ 380,943</u>

\$109,779

\$ 25,913

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE EXPENSE REPORT
OAR SCHEDULE 4E
Based on the Year Ended September 30, 2009

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 138,303	\$ -	\$	\$138,303
Other salaries and wages	-	27,013	-	60,229
Fringe benefits	31,248	21,181	33,216	77,545
Pension	4,098	3,751	25,116	12,200
Services:				
Audit cost	-	-	4,351	3,125
Other services	1,535	-	3,125	2,958
Materials and supplies:				
Fuel and lubricants	41,190	-	1,423	41,190
Tires and tubes	4,770	-	-	4,770
Other materials and supplies	3,020	18,836	-	21,856
Utilities	1,873	15,687	-	17,560
Casualty and liability insurance	-	21,827	-	21,827
Miscellaneous expenses:				
Travel, meetings, and training	768	225	3,894	4,887
Other miscellaneous expenses	2,380	251	899	3,530
Depreciation	61,927	3,452	11,301	76,680
TOTAL EXPENSES	<u>\$ 291,112</u>	<u>\$ 112,223</u>	<u>\$ 83,325</u>	<u>\$486,660</u>
Ineligible expenses:				
RTAP	\$ -	\$ -	\$ 3,290	\$ 3,290
Depreciation	61,927	3,452	11,301	76,680
Audit cost	-	-	625	625
Insurance reimbursement	-	25,000	-	25,000
Finance charges and NSF	-	-	73	73
Association dues	-	-	49	49
TOTAL INELIGIBLE EXPENSES	<u>\$ 61,927</u>	<u>\$ 28,452</u>	<u>\$ 15,338</u>	<u>\$105,717</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 229,185</u>	<u>\$ 83,771</u>	<u>\$ 67,987</u>	<u>\$380,943</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

NONURBAN REGULAR SERVICE NONFINANCIAL REPORT

OAR SCHEDULE 4N

Based on the Year ended September 30, 2009

	Public Transportation Mileage
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	29,756
Second Quarter	32,508
Third Quarter	29,581
Fourth Quarter	<u>29,278</u>
	<u><u>121,123</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage. However, the methodology used does not differentiate between Line Haul and Demand Response Mileage.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE REVENUE REPORT
Based on a September 30, 2009 Year End

Farebox revenue:	
Passenger fares	\$ 68,567
Contract fares	33,004
State formula and contracts -	
State operating assistance	135,692
Federal contracts:	
Section 5311	60,951
RTAP	3,290
Transfers from other funds	<u>80,000</u>
TOTAL REVENUES	<u><u>\$381,504</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 7 , 2010

City Council
City of Houghton
Houghton, MI 49931

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each fund, and the aggregate remaining fund information of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2010, which collectively comprise the CITY OF HOUGHTON, MICHIGAN'S basic financial statements and have issued our report thereon dated December 7, 2010. The financial statements do not include financial data for the CITY OF HOUGHTON'S legally separate component unit, Houghton Housing Commission, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the CITY OF HOUGHTON, MICHIGAN'S primary government. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and with the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CITY OF HOUGHTON'S internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 10-1, and item 10-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CITY OF HOUGHTON, MICHIGAN'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 10-3.

We noted certain matters that we reported to management of the City of Houghton, Michigan in a separate letter dated December 7, 2010.

The City of Houghton, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Houghton, Michigan's response and, accordingly, we express no opinion on it.

This report is intended for the information and the use of the City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Joseph M Daavetila, PC

Certified Public Accountant

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 7, 2010

City Council
City of Houghton
Houghton, MI 49931

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the City of Houghton, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Houghton, Michigan's major federal program for the year ended June 30, 2010. The City of Houghton's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Houghton, Michigan's management. Our responsibility is to express an opinion on the City of Houghton, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform this audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Houghton, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Houghton, Michigan's compliance with those requirements.

In our opinion, the City of Houghton, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Houghton, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Houghton, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Houghton, Michigan's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Houghton, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Houghton, Michigan's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joseph M Deavette, PC

Certified Public Accountant

CITY OF HOUGHTON, MICHIGAN

EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
Year ended June 30, 2010

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No./ Authorization Number</u>
Federal Awards:		
U.S. Department of Transportation:		
Passed through Michigan Department of Transportation		
Federal Transit Capital Grants:		
Capital Grant - Section 5309	20.500	2007-0026/Z5
Operating Assistance - Section 5311		
FY09 Section 5311	20.509	2002-0046/Z4
FY10 Section 5311	20.509	2002-0046/Z7
Total Operating Assistance - Section 5311		
Rural Transit Assistance Program (RTAP)	N/A	N/A
National Highway System	20.2052	NH 0931 0006
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		
Other Federal Awards:		
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/ State's Program:		
Powerhouse Incubator Project	14.228	MSC206058-EDIG
Downtown VSCI Grant:		
Downtown Streetscape Project	14.228	200774V-1
Downtown Facade Project	14.228	200774V-2
Downtown Planning/Marketing	14.228	200774V-3
Downtown Cultural Center Acquisition Project	14.228	200774V-4
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
U.S. Department of Agriculture - Rural Housing Service - Community Facility Grant Program		N/A
TOTAL FEDERAL AWARDS		
Selected State Awards:		
Michigan Department of Transportation:		
Operating Assistance - Act 51 - Nonurban	N/A	N/A
Specialized Services	N/A	07-0226/Z6
Specialized Services	N/A	07-0226/Z8
TOTAL SELECTED STATE AWARDS		

The accompanying notes to financial statements
are an integral part of this statement.

Program Award Amount	Current Year's Expenditures				Prior Year's Expenditures	Award Amount Remaining
	Total	Federal	State	Local		
\$ 9,664	\$ 9,664	\$ 7,731	\$ 1,933	\$ -	\$ -	\$ -
\$ 11,640	\$ 11,640	\$ 11,640	\$ -	\$ -	\$ -	\$ -
49,314	49,314	49,314	-	-	-	-
\$ 60,954	\$ 60,954	\$ 60,954	\$ -	\$ -	\$ -	\$ -
\$ 3,229	\$ 3,229	\$ 3,229	\$ -	\$ -	\$ -	\$ -
\$ 83,205	\$ 83,980	\$ 68,705	\$ 14,500	\$ 775	\$ -	\$ -
\$ 157,052	\$ 157,827	\$ 140,619	\$ 16,433	\$ 775	\$ -	\$ -
\$1,000,000	\$ 12,081	\$ 12,000	\$ -	\$ 81	\$ 988,000	\$ -
502,500	503,716	496,985	-	6,731	15,747	-
406,250	10,263	4,349	-	5,914	809,594	-
12,500	21,472	10,736	-	10,736	3,610	-
78,750	157,976	78,449	-	79,527	603	-
\$2,000,000	\$ 705,508	\$ 602,519	\$ -	\$102,989	\$ 1,817,554	\$ -
\$ 71,000	\$ 159,766	\$ 71,000	\$ -	\$ 88,766	\$ -	\$ -
\$2,228,052	\$1,023,101	\$ 814,138	\$ 16,433	\$192,530	\$ 1,817,554	\$ -
\$ 135,692	\$ 135,692	\$ -	\$135,692	\$ -	\$ -	\$ -
30,987	30,987	-	30,987	-	-	-
20,815	20,815	-	20,815	-	-	-
\$ 187,494	\$ 187,494	\$ -	\$187,494	\$ -	\$ -	\$ -
\$2,415,546	\$1,210,595	\$ 814,138	\$203,927	\$192,530	\$ 1,817,554	\$ -

CITY OF HOUGHTON, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
For the Year Ended June 30, 2010

1. Federal expenditures represent only the program expenditures that are eligible for federal participation.
2. This schedule is presented on the modified accrual basis of accounting. Please refer to Note A of the financial statements for other significant accounting policies.
3. Component Unit Excluded from Schedule of Expenditures of Federal Awards. Houghton Housing Commission, a component unit of the City of Houghton, Michigan, contracted to have its own audit for its year ended December 31, 2009. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Houghton Housing Commission.

CITY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No	
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported	
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) Circular A-133?	<u> </u> Yes	<u> X </u> No	

Identification of Major Programs:

CFDA Number

14.228

Name of Federal Program or Cluster

Community Development Block Grant/
States Program

Dollars threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk audited?

 Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

2010-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Criteria

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal control over books and records), and reporting government-wide financial statements including related footnotes.

Conditions

As in the case with many small entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal control.

Cause

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the financial department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task.

Effect

As a result of this condition the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials

The City has evaluated the benefits of establishing internal control over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them to accept responsibility for their content and presentation.

2010-2 AUDIT ADJUSTMENTS

Statement of Condition/Criteria:

Material audit adjustments were required to properly accrue revenues and expenditures and to record capital asset activity.

Response/Status:

Management will review procedures to properly accrue revenues and expenditures and to properly record capital asset activity.

CITY OF HOUGHTON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2010

2010-3 BUDGET NONCOMPLIANCE

Statement of Condition/Criteria:

Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended June 30, 2010, the City incurred expenditures in excess of amounts appropriated as follows:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
General	\$ 3,150,501	\$ 3,155,294	\$ 4,793
Revolving	-	16,637	16,637

The City had a deficit in unrestricted net assets in the following funds and component unit:

	<u>Deficit</u>
Parking System	\$ 149,619
Transit	27,787
Downtown Development Authority	628,964

Effect:

The City has not complied with various State statutes.

Cause of Condition:

Budget amendments were not made prior to the expenditure of funds.

Recommendation:

Budget amendments should be made prior to the expenditure of funds.

Status:

Management will review budgets monthly and make amendments as deemed necessary.

SECTION III - FEDERAL AWARDS - FINDINGS AND QUESTIONED COSTS

None

CITY OF HOUGHTON, MICHIGAN

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 20, 2010

A. Findings and Questioned Costs - Major Federal Award Programs
Audit

None

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 7, 2010

City Council
City of Houghton
Houghton, MI 49931

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units of the City of Houghton, as of and for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated September 13, 2010 and during our audit planning meetings with the Treasurer and City Manager.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

The financial statements do not include financial data for the City of Houghton's legally separate component unit, Houghton Housing Commission, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City of Houghton Michigan's primary government.

We reported three significant deficiencies in our "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*" and as described in the Schedule of Findings and Questioned Costs as items 10-1, 10-2, and 10-3 during the audit. We also issued a separate letter to management dated December 7, 2010.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Houghton, are described in Note A to the financial statements. The City implemented GASB #45 "Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions" during the year ended June 30, 2010. We noted no transactions entered into by the City of Houghton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Houghton's financial statements were recording of historical costs of fixed assets, setting of the useful lives of fixed assets, accumulated depreciation to date on the fixed assets, salvage values on fixed assets, the recording of accumulated compensated absences liabilities and the liability for other post-employment benefits payable.

Management's estimate of the useful lives, related depreciation expense and salvage values is based on historical experience and lives commonly used by governments and the straight-line method of depreciation.

Management's estimate for the accumulated compensated absences is based on the amount of hours accrued to June 30, 2010 for each employee times their current rate of pay and adjusting for any pay-out percentage determined by years of service as stated in employees contracts or as approved by the City Council.

Management's estimate for the other post-employment benefits payable is based on an actuarial valuation of other post-employment benefits available to employees at the date of the actuarial valuation.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were contained in Note J - Other Post-employment Benefits Payable.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, and were made to properly accrue revenues and expenditures and to record capital asset activity.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City of Houghton's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Houghton and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

CITY OF HOUGHTON, MICHIGAN
SUMMARY OF AUDIT DIFFERENCES
All Funds
Year Ended June 30, 2010

Current Year
Over (Under)
Revenues and
Expenditures/Expenses
and Changes in
Fund Balance/Equity

Unadjusted audit differences

None

Prior year unadjusted audit
differences

None